Leadership for India Inc: Practical Concepts and Constructs
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Week - 11
Leadership Philosophies
Lecture - 54
Leadership Emotions

Hi Friends, welcome to the NPTEL course Leadership for India Inc: Practical Concepts and Constructs. We are in week 11 discussing Leadership Philosophies. In this lecture, we will focus on Leadership Emotions.

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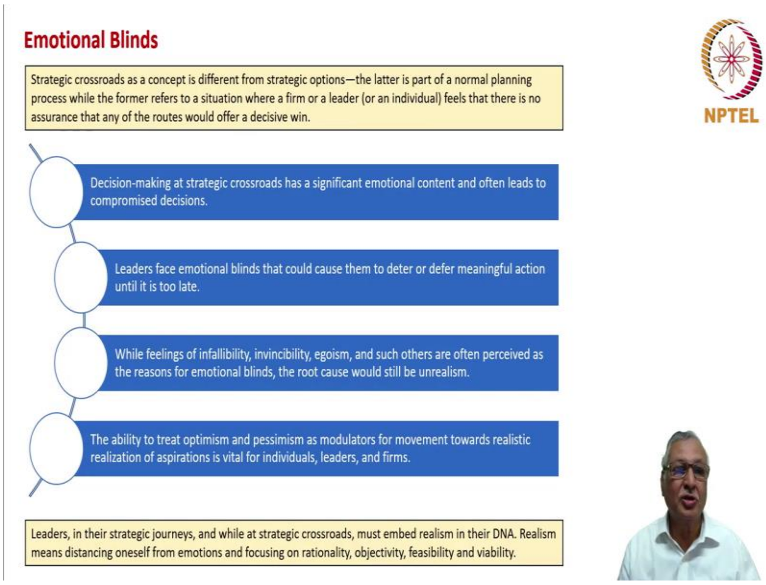

What are Emotional Blinds? Emotional blinds are certain aspects of emotion that cause strategic stallings for companies. Strategic crossroads as a concept is different from strategic options, the latter is part of a normal planning process. While the former refers to a situation where a firm or a leader or an individual feels that there is no assurance that any of the routes would offer a decisive win.

Decision making a strategic crossroad has a significant emotional content and often leads to compromised decisions. Leaders face emotional blinds that could cause them to deter or defer meaningful action until it is too late. While feelings of infallibility, invincibility, egoism and such others are often perceived as the reasons for emotional blinds, the root cause would still be unrealism.

The ability to treat optimism and pessimism as modulators for movement towards realistic realization of aspirations is vital for individual's leaders and firms. Leaders in their strategic journeys and while a strategic crossroads must embed realism as part of their DNA, realism means distancing oneself from emotions and focusing on rationality, objectivity, feasibility and viability. This is the summary of the topic of emotional blinds.

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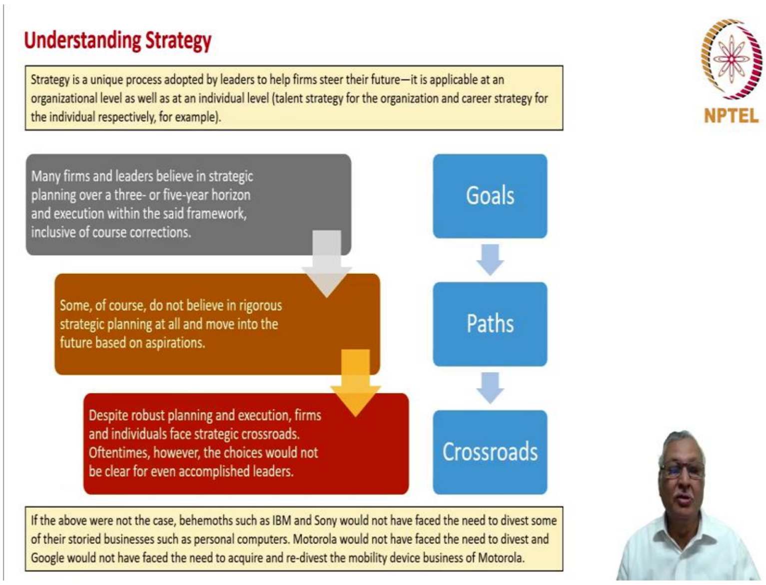

We have covered significant ground in understanding strategy let me recap some of that for you now. Strategy is a unique process adopted by leaders to help firms steer their future. It is applicable at an organizational level as well as at an individual level, talent strategy for the organization and career strategy for the individual respectively for example. Many firms and leaders believe in strategic planning over 3 or 5 year horizon and execution within the set framework inclusive of course corrections.

Some leaders of course do not believe in rigorous strategic planning at all and move into the future based on aspirations, despite robust planning and execution firms and individuals face strategic crossroads. Often times however, the choices would not be clear even for accomplished leaders.

If the above were not the case behemoths such as IBM and Sony would not have faced the need to diverse some of their storied businesses such as personal computers. Motorola would not have faced the need to divest and Google would not have faced the need to acquire and again re-diverse the mobility device business of Motorola. The reality of strategic crossroad is a part of strategic planning process and the leadership process.

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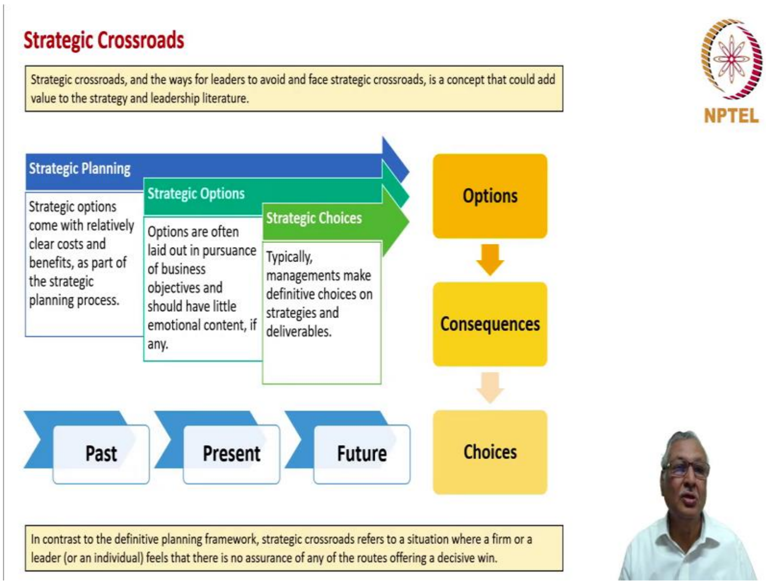

What are Strategic Crossroads? Strategic crossroads are those where a leader is unable to take a firm decision and as we see, as we go forward that inability stems from emotional blinds a leader would have. Strategic crossroads and the ways for leaders to avoid and face strategic crossroad is a concept that could add value to the strategy and leadership literature.

Strategic options as part of the strategic planning process come with relatively clear costs and benefits as part of the process. Strategic options are often laid out in pursuance of business objectives and should have little emotional content if any.

Typically, managements make definitive choices on strategies and deliverables, while doing so people would consider the past evaluate the present and have expectations about the future and in doing so, again there would be options there would be consequences and finally there would be choices.

In contrast to the definitive planning framework strategic crossroads refers to a situation where a firm or a leader or even an individual feels that there is no assurance of any of the routes offering a decisive win.

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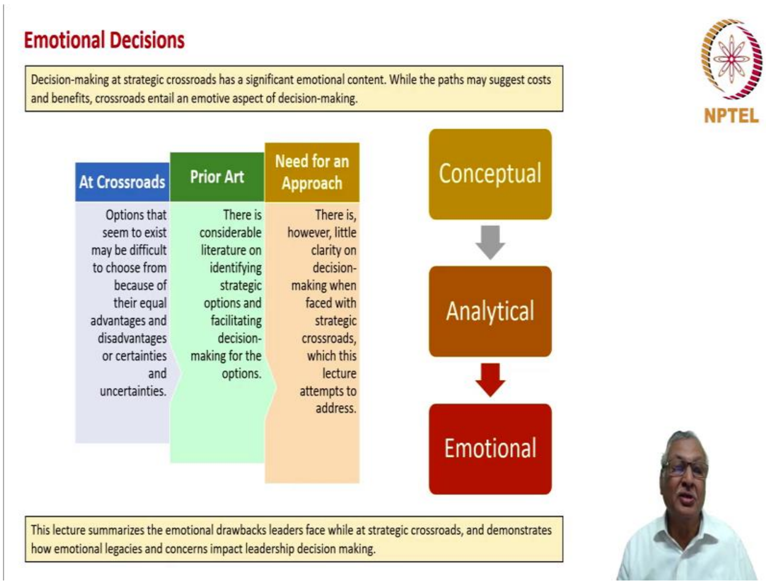

And decision making at crossroads has a significant emotional content, while the paths may suggest some costs and benefits crossroads entail an emotive aspect of decision making that is why I call them strategic crossroads.

When at crossroads options that seem to exist may be difficult to choose from, because they have equal advantages and disadvantages or equal certainties and uncertainties. There is considerable literature on identifying strategic options and making strategic choices and facilitating decision making for the options.

There is however very little clarity on decision making when faced with strategic crossroad which this lecture attempts to address. We have got conceptual frameworks, we have analytical frameworks and we need emotional frameworks. This lecture summarizes the emotional draw backs leaders face while at strategic crossroads and demonstrates how emotional legacies and concerns impact leadership decision making.

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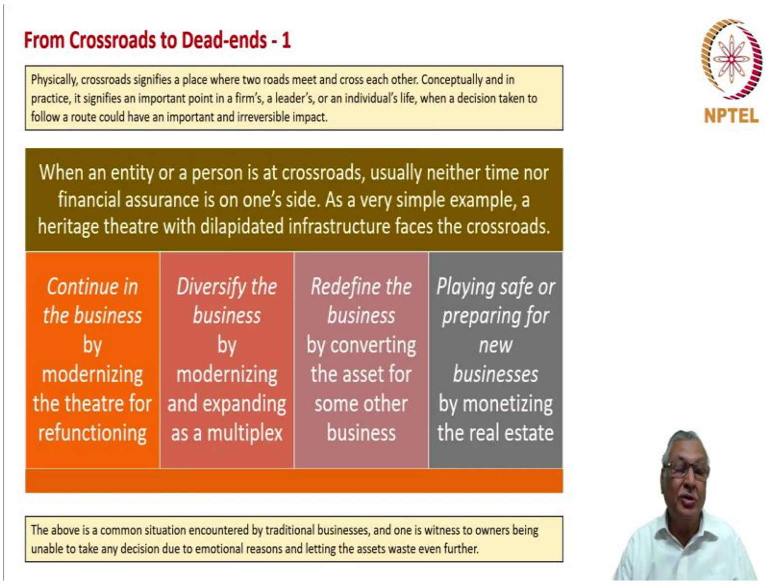

If we do not deal with crossroads appropriately you would land up at dead ends. Physically crossroads signifies a place where two roads meet and cross each other. Conceptually and in practice it signifies an important point in a firm's, a leaders or an individual's life when a decision to take a particular route could have an impact and that too an irreversible impact.

When an entity or a person is at crossroads usually neither time nor financial assurance is on one's side, as a very simple example a heritage theatre that is a theatre which screens movies with dilapidated infrastructure faces the crossroads. The crossroads would be four; continuing the business by modernizing the theatre for refunctioning. The other route; diversify the business by modernizing and expanding as a multiplex that is take the theater to a higher level.

Redefine the business by converting the asset for some other business maybe a marriage hall, may be a shopping complex. Playing safe or preparing for new businesses by monetizing the real estate sell it off and keep the cash for some other purpose. The above is a common situation encountered by traditional businesses and one is witness to owners being unable to take any decision due to emotional reasons and letting the assets waste even further in that process.

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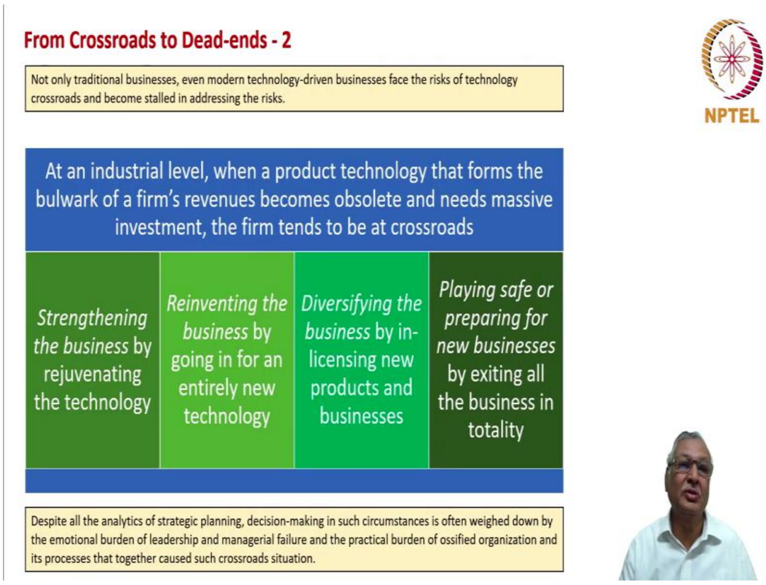

Let us look at an industrial example. Not only traditional businesses even modern technology driven businesses face the risks of technology crossroads and become stalled in addressing the risks. At an industrial level when a product technology that forms the core of a firm's revenues becomes obsolete and needs massive investment the firm again tends to be at crossroads, it could do one of the 4 things.

It could strengthen the business by rejuvenating the technology, it could reinvent the business by going in for an entirely new technology, it could diversify the business by in licensing new products and businesses or the company could play safe or prepare for the new businesses by exiting all of this business that is currently existing in totality.

Despite all the analytical of strategic planning decision making in such circumstances is often weighed down by the emotional burden of leadership and managerial failure and the practical burden of an ossified organization and its process that together cause such crossroads situation.

Typically, crossroads happen when the organization has not really performed, the way it should have performed when the leadership has not been as agile and as crystal clear in it is approaches when the situation permitted.

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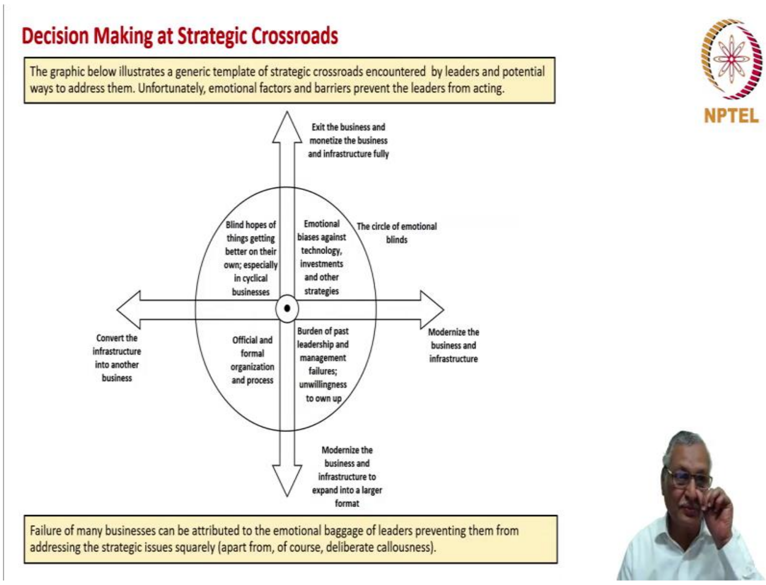

The graphic below illustrates a generic template of strategic crossroad encountered by leaders and potential ways to address them. This is what I mean by decision making at strategic crossroads. Unfortunately, emotional factors and barriers prevent the leaders from acting.

You can see the crossroads clearly and typically the crossroads would be one of the following 4, 1 exit the business and monetize the business and infrastructure fully, 2 modernize the business and infrastructure, 3 modernize the business and infrastructure to expand into a larger format, 4 convert the infrastructure into another business.

Out of these 3 or continued growth oriented approaches people want to be in the business and then make better sense of the business opportunities whereas, the first one which I mentioned is a kind of a no hope kind of view taken by the strategic planners or the business leaders. However, all of these 4 decisions are blinded by a circle of emotions.

These are blind hopes of things getting better on their own especially in cyclical businesses. Emotional biases against technology investments and other strategies. Burden of past leadership and management failures, unwillingness to own up such mistakes and failures. Official and formal organization as well as process which acts as a drag.

Failure of many businesses can be attributed to the emotional baggage of leaders preventing them from addressing the strategic issues squarely, apart from of course deliberate callousness.

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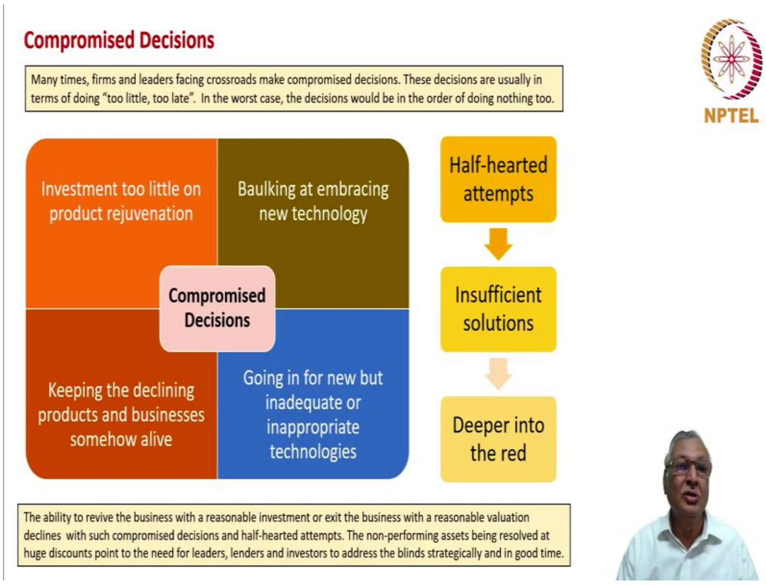

So, as a result of these kinds of strategic crossroad and the emotional blinds that stop decisions being made in an appropriate way we get compromised decisions at least at a later date, but that is too little too late kind of situation. Many times firms and leaders facing crossroads make compromised decisions, these decisions are usual in terms of doing too little too late.

In the worst case the decision would be in the order of doing nothing too. What are the 4 types of Compromised Decisions? One could be investment too little on product rejuvenation people would like to do some piloting of the investment and see whether it would produce results.

However, in general a situation which is little beyond repair needs significant investments to show impact. The other decision is to baulk at embracing new technology, that is the technology would not be accepted in totality and therefore they would take only bits and pieces of the technology or try to avoid inducting new technologies.

The third option or this third way to look at the strategic crossroad through a compromised decision is to keep the declining products and businesses somehow alive. I have mentioned earlier the cases of Hindustan motors and premier automobiles which tried to pull on with their dated products by replacing an engine or replacing a gear box or keep the engine and the gear box the same, but replace the body shell and so on. These were compromised decisions did not have the complete impact.

Going in for new, but in adequate or inappropriate technologies that is you take again vintage technologies or obsolescent technologies or obsolete technologies and then you would not be really making the success of those things. So, half hearted attempts insufficient solutions can only take the company deeper into the red, rather than take it out of strategic crossroads successfully.

The ability to revive the business with a reasonable investment or exit the business with the reasonable valuation declines with such compromised decisions and half hearted attempts. The non performing assets of companies that are getting resolved at huge discounts point to the need for the lenders, the leaders of the companies and the investors to address the emotional blinds strategically squarely and in good time.

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Let us look at some emotive decisions that have been taken by the leaders and these are available in public domain. The saga of companies that were once leaders in their industries, but faced subsequently deep declines in business indicates a shared inability to read the signs of crossroads appropriately.

Kingfisher airlines which started as a premium luxury airliner India was at crossroads of consolidation versus growth and also of organic verses inorganic development. When it decided to acquire the low cost airliner Air Deccan, Kingfisher airlines began to also internationalize its operations even before consolidating domestic business, because the founder wanted the emotional high of being a global operator.

The obviously wrong route taken has led to the progressive slide and eventual bankruptcy of kingfisher airlines. Similar missteps of merging Air Sahara and faster globalization led to Jet Airways Bankruptcy. Air Deccan which was a low cost airliner had similar crossroads one of the options was to write out the low cost pressures over time.

The other option was to exist wholly and the another option was existing with reinvesting in a new business and of course the fourth one was adding a new business without existing. Here again for Air Deccan's founder exiting airliner business and reinvesting in an air logistics business was a wrong route in combination, a wrong route taken when it is at crossroads could lead a company to its final dead end.

Getting into capital intensive airlines industry which demands the highest level of operational efficiency, investment intensity and technological efficiency and also aggressively acquiring other airlines expanding the asset intensity, operational profligacy and managerial recklessness all point to emotional factors rather than rational factors being at play in Kingfishers and Jet Airways decisions.

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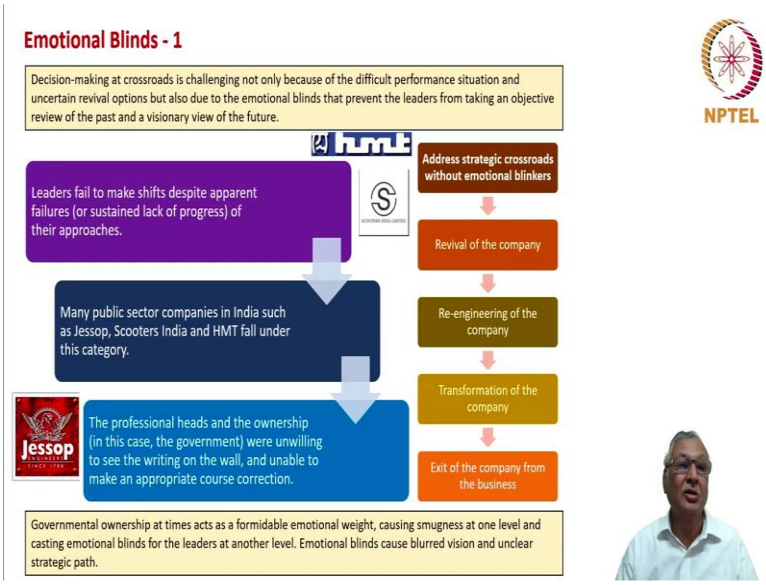

Let us look at some more examples decision making at crossroads is challenging not only because of the difficult performance situation and uncertain revival options. But also due to the emotional blinds that prevent the leaders from taking an objective review of the past and a visionary view of the future. Leaders fail to make shifts despite apparent failures or sustained lack of progress of their approaches, Scooters India is a great example, HMT is also another example.

Many public sector companies in India such as Jessop, scooters India and HMT fall under this category of not recognizing the failures in time and taking appropriate actions hoping that some bail out could happen, things could not be so bad kind of approach and hoping that the user industries or the customers would get around to accepting the products as offered by the companies.

The professional heads and the ownership in this case the government all the 3 companies are public sector companies, were unwilling to see the writing on the wall and unable to make an appropriate course correction. It is therefore necessary to address strategic crossroad without emotional blinkers.

Government ownership at times acts as a formidable emotional weight causing smugness at one level and casting emotional blinds for the leaders at another level. Emotional blinds can cause blurred division and unclear strategic path. Therefore, we need to address the strategic crossroads without emotional blinkers, we need to look at the options that are available for revival of the company, re engineering of the company, transformation of the company and exit of the company from the business that is important.

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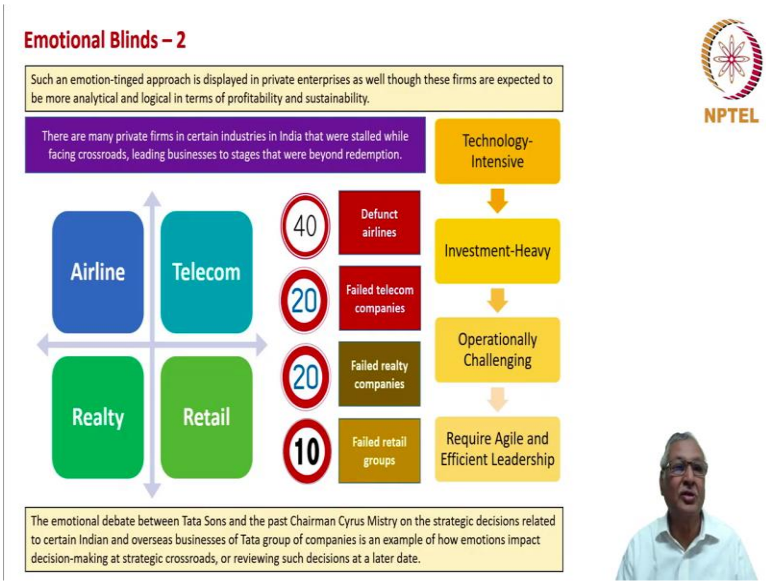

Let us look at some more examples of emotional blinds. Such an emotion tinged approach is displayed in private enterprises as well though these firms are expected to be more analytical and logical in terms of profitability and sustainability. There are many private firms in certain industries in India that were stalled while facing crossroads, leading businesses to stages that were beyond redemption. Airline, telecom, reality, retail are examples.

There have been 40 defunct airlines in the Indian aviation history, there have been 20 failed telecom companies on an approximate basis. There have at least been 20 failed reality big companies and 10 failed retail groups. When businesses are technology intensive they are investment heavy, operationally challenging, such businesses require agile and efficient leadership.

If a leadership is stuck in its emotional blinds and in its emotive way of looking at things it is impossible to handle businesses with such characteristics. The emotional debate between Tata sons and the past chairman Cyrus Mistry on the strategic decisions related to certain Indian and overseas businesses of Tata group of companies is also an example of how emotions impact decision making at strategic crossroads or reviewing such decisions at later date.

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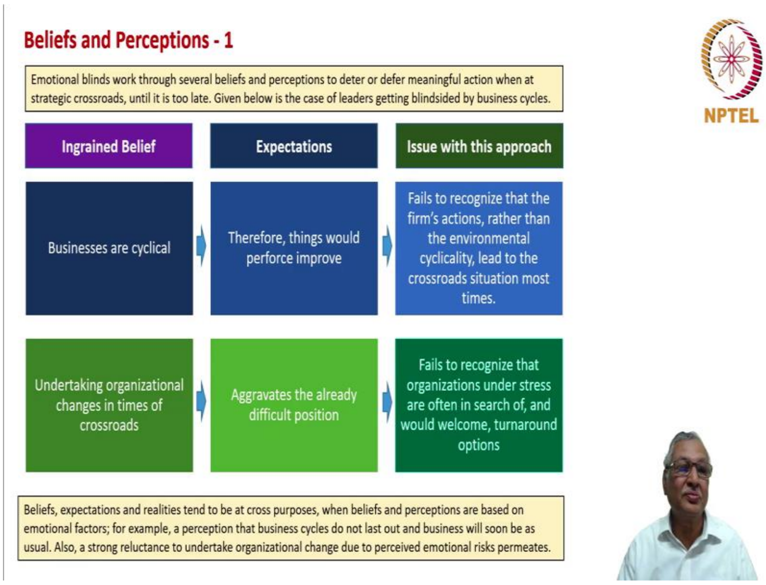

So, what are the beliefs and perceptions that drive this kind of emotional paradigm and the paradigm is not positive as we have seen. Emotional blinds work through several beliefs and perceptions to deter or defer meaningful action when at strategic crossroads until it is too late. Given below is the case of leaders getting blindsided by business cycles.

We have 3 options ingrained belief, expectations, issue with this approach; one ingrained belief is the businesses are cyclical so what goes down would always come up. Therefore, the imagination of the leader or the expectation of the leader is that things would perforce improve; however, the issue with this approach is that the leadership fails to recognize that the firm’s actions rather than the environmental cyclicality has caused the crossroad situation most of the times and in this particular case.

Undertaking organizational changes in times of crossroads, if the ingrained belief is that we should not undertake organizational changes in times of crossroads, the expectation is that it would aggravate the already difficult situation. The issue with this approach is that it fails to recognize that organizations under stress are often in search of and would welcome actually turnaround options.

Beliefs expectations and realities tend to be at cross purposes when believes and perceptions are based on emotional factors. For example, a perception the business cycles do not last out and business will soon be as usual, the commercial vehicle industry used to have 3 to 4 years operating up and down business cycle and the industry believed that this latest one would also be of such nature.

However, the cycle extended for 6 years. Not only that at the end of the cycle or when the cycle is yet to bottom out the Covid pandemic struck in a very difficult manner. Therefore, if you have strategic and emotional blinds thinking that certain things would not happen the expectations would be completely blind.

The strong reluctance to undertake organizational changes due to perceived emotional risks permeates all types of organizations. People would like to keep the organization generally untouched thinking that any modification of the organization would leads to stresses and pressures which the leaders would not cope with, again that is an organizational legacy emotion and not a reality. For all you know the organization may be looking for a change.

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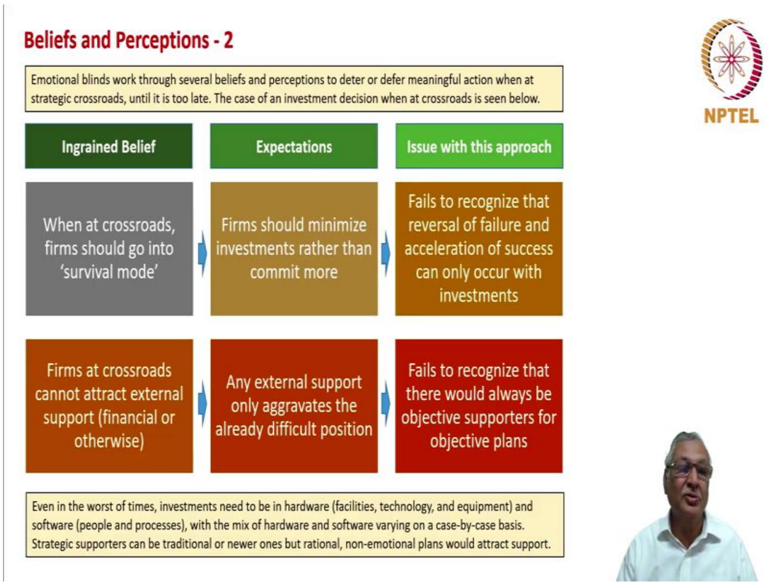

Let us look at a few other beliefs and perceptions, the case of an investment decision when at crossroad can be seen as below. The ingrained belief is that when at crossroad firms should go into survival mode and the expectation of that is that the firm should minimize investments rather than commit more it is a wrong expectation.

The issue with this approach is that it fails to recognize that reversal of failure and acceleration of success can only occur with investments. Another ingrained belief firms at crossroad cannot attract external support financial or otherwise, the expectation therefore is that any external support will only aggravate the already difficult position with the new entrance to the capital structure would have their own demands.

However, this approach fails to recognize that there would always be objective supporters for objective plans. If you have these kinds of emotional blinds and you do not work through the beliefs and perceptions which are causing these emotional blinds and consequently differ or deter meaningful action, then this strategic crossroads would get perpetuated until it is too late.

Even in the worst of times investments need to be in hardware facilities, technology and equipment and software people and processes, with the mix of the hardware and the software varying on a case by case basis. Strategic supporters can be traditional or newer ones but rational non emotional plans would always attract support and of course you should have the ability to advocate those plans.

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What is the difference between Emotional blinds and Emotions? Because emotion is part of leadership, emotional blind is a deterrent to leadership or a distraction to leadership. The root cause for emotional blinds developing in an organization is often deep and invisible. The emotional blinds in fact are not the same as the emotions that underlie the strategic behaviors that are displayed when crossroad are faced.

Fundamentally the inability to understand and appreciate realism as a way of life creates emotional blinds.

Firms refuse to draw up realistic plants despite the knowledge about the lead times, such over promising is common in infrastructure projects an infrastructure firm in India ought to be aware of the long term nature of infrastructure investments, protracted payback periods and the inhibitory nature of the external environment that are inherent in such projects. Promising quick returns to the investors reflects unrealism which becomes the strategic core weakness of the infrastructure firm.

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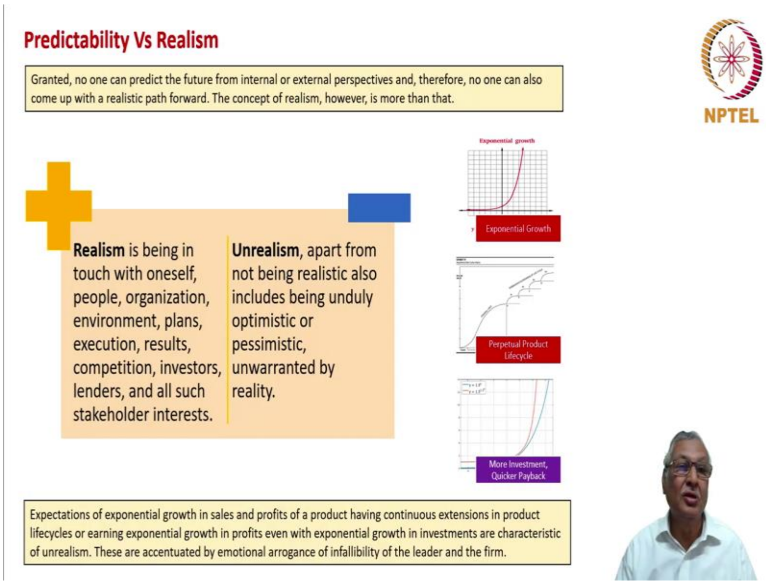

Therefore, we all seek predictability hoping that predictability will remove the emotional blinds and also will remove the strategic crossroad situation, unfortunately you cannot easily have that. Granted no one can predict the future from internal or external perspectives and therefore no one can also come up with realistic path forward.

But the concept of realism is not predicting something accurately; the concept of realism however is more than that. Realism is being in touch with oneself people, organization, environment, plans, execution, results, competition, investors, lenders and all such other stakeholder interest. Unrealism on the other hand apart from not being realistic also includes being unduly optimistic or pessimistic unwarranted by reality.

I have given you three examples here of exponential growth a perpetual product life cycle and more investment quicker payback graphic; all of these things could be unrealistic expectations or could be realistic expectations. But while you are embarking upon these kinds of expectation journeys you got to touch base every now and then for a reality check.

Expectations of exponential growth in sales and profits of a product having continuous extensions in product life cycles and investing highly for growth, but also expecting exponential growth in profits despite the high investments are characteristics of unrealism. These are accentuated by emotional arrogance of infallibility of the leader and the firm.

To make it simpler if a firm think that it could always grow exponentially, the product life cycle itself can be extended to perpetuity and if the company believes that there could be more investment yet there could be quicker payback, when all of these three things combined that would become the highest level of emotional unreality or emotional arrogance of infallibility which a company could have.

Because these are so contra to each other from a normal strategic point of view or from a normal operational point of view.

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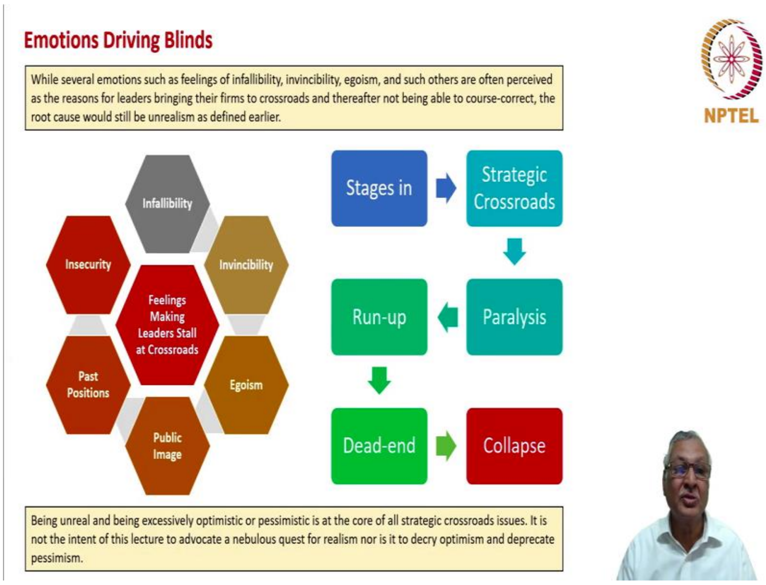

So, what are the emotions then that are driving the blinds? Several emotions such as feelings of infallibility, invincibility, egoism are often perceived as the reasons for leaders bringing their firms to crossroads and thereafter not being able to course correct.

The root cause would still be unrealism as defined earlier. So, some of the feelings that make leaders stall get frozen at crossroads are so as follows, one infallibility that is actually I cannot fail the company somehow is in the situation but it would not fail. The second invincibility that is I have such brilliant business acumen and enterprising spirit that despite this situation I would not be suffering I would be able to take the company to higher level.

Egoism; that is unable to see the reality of leadership failure. Public image, oh what will happen if I admit my failure and take external help or re configure the business model or buy new technology, what would happen to my public image. Then the past positions in the past I have done this way. But it has not produced the result or if I have done this way the investors responded in this manner, probably I should not do that way so the legacy of the past.

And finally, insecurity okay, we are frozen, but we are not really out of the business, if I do something now I may be moved out of the business so insecurity.

There are certain stages in strategic crossroads fundamentally even assuming that you have cleared the emotional blinds phase 1 and found out the crossroads, you try to perpetuate the emotional blinds by bringing in too much of analysis which causes paralysis within the company and that leads to a run up towards a dead end situation.

And finally not being able to take any decision it leads to the collapse of the company. Being unreal and being excessively optimistic or pessimistic is at the core of all strategic crossroads issues, it is not the intent of this lecture to advocate any nebulous quest for realism nor is it to decry optimism and deprecate pessimism. Because as I believe both optimism and pessimism are parts of life as much as realism is and has to be.

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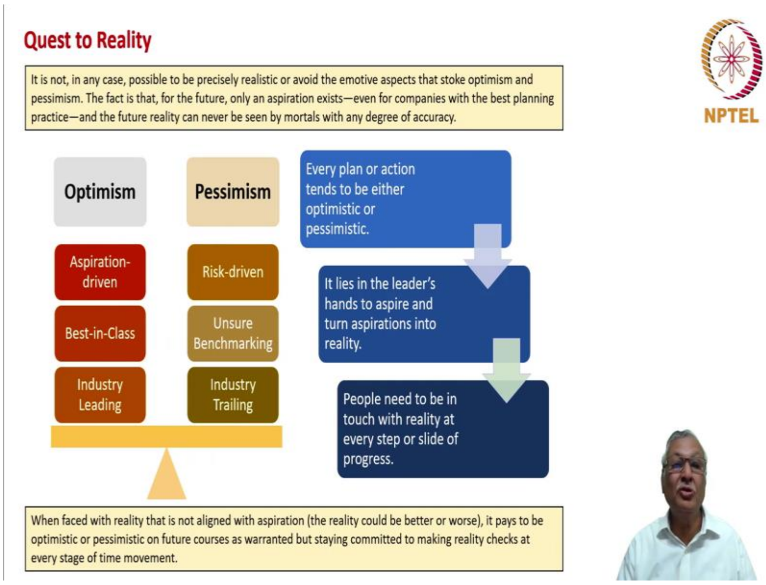

So, how do we ensure that we have a quest towards reality it is not in any case possible to be precisely realistic or avoid the emotive aspects that stoke optimism and pessimism, all the time there would be factors in the external environment or the internal environment that trigger a certain level of optimism or pessimism.

The fact is that for the future only an aspiration exists, even for companies with the best planning practice and the future reality can never be seen by mortals with any degree of accuracy. It is not possible to be 100 percent accurate and come up with the reality that would play out it for itself.

So, Optimism and Pessimism are part of business life. Optimism is aspiration driven is best in class kind of viewpoint and is industrial leading. Pessimism on the other hand is driven by risk. It is characterized by unsure bench marking and leads to industry trailing performance.

Every plan or action tends to be either optimistic or pessimistic it depends upon where you think is the realistic point lies. It lines in the leader’s hands to aspire and turn aspirations into reality, people need to be in touch with reality at every step or slide of progress. When faced with reality that is not aligned with aspiration the reality could be for better or for worse.

It plays to be optimistic or pessimistic on future courses as warranted, but staying committed to making reality checks at every stage of time movement. Looks complex right, but that is what the leadership philosophy is about. We have to coexist with different concepts which seem to be different sides of the same issue or 2 sides of the same coin in certain cases and deal with both of the issues or all of these issues in an integrative manner; that is the leadership challenge.

And that is where you need to bring in these philosophical approaches of reality, optimism and pessimism apart from the several others we discussed earlier, to be able to give complete strength to the leadership model, structures the processes that we have learned so far in the course.

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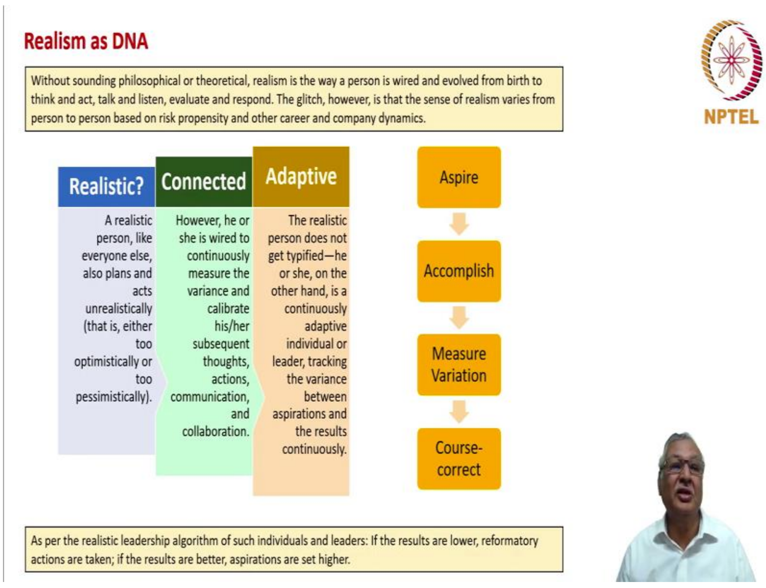

So, I will propose realism as DNA as one of the bedrocks of having the emotional blinds taken out of our path way. Without sounding philosophical or theoretical realism is the way a person is wired and evolved from birth to think and act, talk and listen, evaluate and respond. Realism comes in a way innate in a person and of course is modified by upbringing and the friends and other circles that we pass through.

The glitch however is that the sense of realism varies from person to person based on risk propensity and other career as well as company dynamics. A realistic person like everyone else also plans and acts unrealistically that is either too optimistically or too pessimistically. Relativity is the core of realism, you may think that the person is realistic that depends on the person and also your view so realism is relative concept.

Connect is the next important Concept, however a realistic person is wired to continuously measure the variance and calibrate his or her subsequent thoughts, actions, communications and collaborative efforts, in a manner that he or she gets back to the realistic path as soon as possible. And also the realistic person is adaptive, he or she does not get typified that the person has to do only this thing with which the person has started.

The person on the other hand is a continuously adaptive individual or leader tracking the variance between aspirations and the results continuously and looking at various opportunities that are available and if necessary integrating them. So, from aspiration to accomplishment the important aspect is the measurement of variation and arising from that there must be course correction.

As per the realistic leadership algorithm of such individuals and leaders, if the results are lower take reformatory actions, if the results are better set aspirations higher do not just stay where the aspirations were that is the algorithm of leadership realism.

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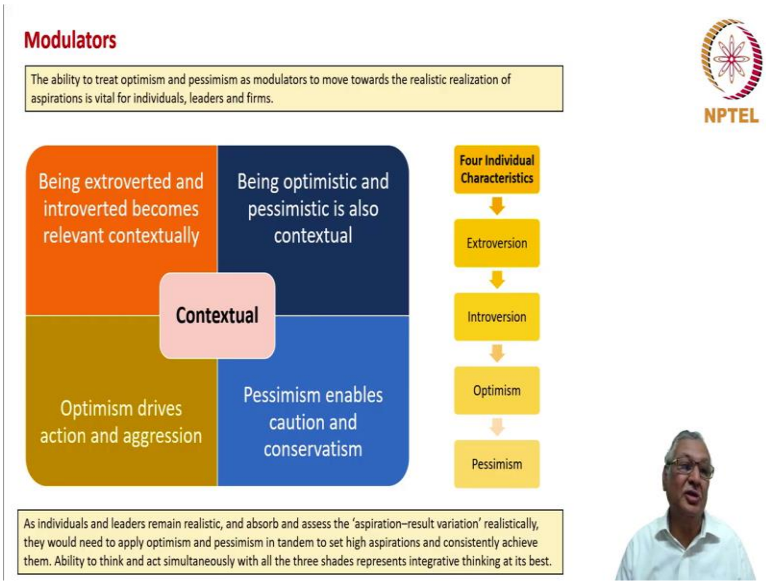

They are always modulators, the ability to treat optimism and pessimism as modulators to move towards the realistic realization of aspirations is vital for individuals, leaders and firms.

There is a contextual backing for this. Being extroverted and introverted becomes relevant only contextually. Being optimistic and pessimistic is also contextual. Optimism drives action and aggression whereas pessimism enables caution and conservative. So, we should understand the relevance of pessimism and optimism, we should not say that it is foolish to be pessimistic nor should we say that it is great to be optimistic.

We should understand that these feelings these emotional viewpoints of life get us to do certain things in certain ways and that context must be understood. There are four individual characteristics as we have covered previously also; extroversion, introversion, optimism, and pessimism these are all interlinked.

As individuals and leaders remain realistic and absorb and assess the aspiration result variation realistically, they would need to apply optimism and pessimism intandom to set high aspirations and consistently achieve them.

Ability to think and act simultaneously with all the 3 shades of optimism, realism and pessimism represents integrative thinking at its best. I have talked about integrative thinking earlier saying that instead of dismissing both the polarities or both the extremes or both ways of doing things differently or choosing only one of them.

What you should try to do is to integrate the opposing polarities in your way of doing things and that is integrative thinking similarly in leadership, the ability to integrate realism, optimism and pessimism is a great approach of integrative thinking.

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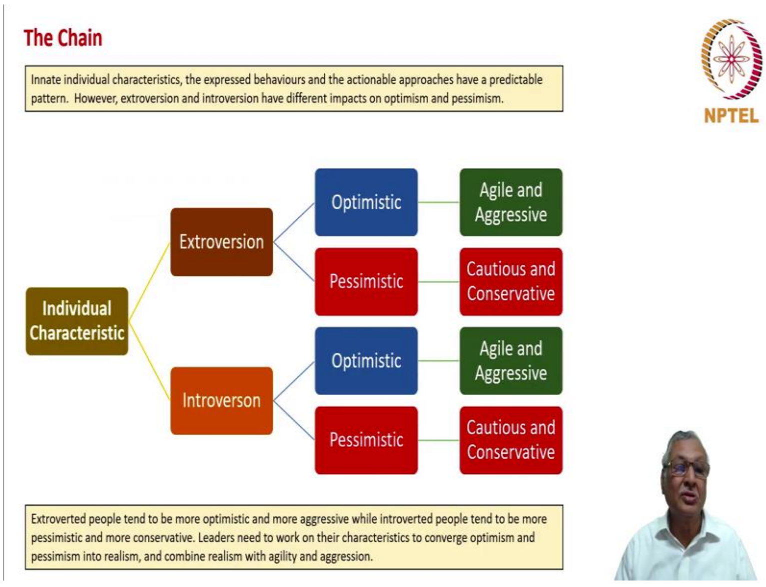

So, how does this chain work? Innate individual characteristics, the expressed behavior's and the actionable approaches have a predictable pattern. However, extroversion and introversion should have different impacts on optimism and pessimism. Let us look at the way the hierarchy works, let us suppose individual characteristic exist, we can classify it as an extroverted characteristic or introverted characteristic and each of these can be viewed from having been impacted or could be impacted by optimism or pessimism.

If an extroverted individual is optimistic then he would become very agile and aggressive. On the other hand, if an extroverted individual happens to be pessimistic or happens to view a particular thing from a pessimistic lens he would be cautious and conservative. If an introverted executive is optimistic again he would be agile and aggressive it has nothing to do with his extroversion or introversion.

On the other hand, if the introverted individual or leader is pessimistic he would again turn cautious and conservative. So, we have to distinguish between extroversion and introversion as two sides of the coin and optimism and pessimism again as two sides of the coin. Extroverted people tend to be more optimistic and more aggressive, while introverted people tend to be more pessimistic and more conservative.

It is not necessarily because of the greater people interactions it has something to do with the knowledge, experience and confidence that people gain as a result of such behavior patterns that should be understood. Leaders need to work on their characteristics to converge optimism and pessimism into realism and combine realism with agility and aggression. Can you see this progression of the emotional chain towards strengthening of the leadership characteristics of an individual.

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Let us look at some more emotional blinds in action with specific examples. Certain institutions in India have been strategically agile while certain other strategically frozen, most debt laden companies in India could be found to be frozen at strategic crossroads with the emotional factors dominating strategic factors.

The following six companies got pushed into bankruptcy or into near bankruptcy due to promoters getting frozen in their tracks. Let us take the example of Vodafone Idea; there were many emotional barriers that impacted the much needed prudential and futuristic approach. The emotional barrier of what would happen to rest of my group I cannot put good money after bad money without understanding the importance of telecommunications for a national growth paradigm.

That is an emotional barrier which the domestic group felt. Similarly, the foreign group partner felt that enough has been committed to India and no more needs to be committed and it did not see the huge market that Indian telecommunication offers, forget about the huge market that work from home or digital connectivity offered. And there were emotional approaches towards the legal tangles which the company caught into.

Again without realizing that not following prudential principles of impairment also constituted and contributed to the situation the company came into being. Reliance communications there was a huge emotional self belief in the past strategy based on the CDMA technology when futuristic technologies of GSM were required.

Many steel plant promoters believe in their invincibility because of the real estate that is available because of the assets they built and because of their belief in the commodity cycles going even at some point of time. But such emotional approaches push those firms into bankruptcy.

In the case Orchid Pharma, the promoter’s preoccupation with public image blocked timely correction to a failing strategy and execution. Sintex Industries limited emotional attachment to globalization led to excessive expansion demerger and debt pile up. Alok Industries limited a company which has since been taken over by Reliance industries as part of their IBC proceedings.

Alok had emotional driven pursuit of scale with high debt retail and reality diversification which made the company a non performing asset. The 6 shades of emotion presented earlier infallibility, invincibility, egoism, public face, past positions and insecurity make leaders hope that they and their firms are not destined to fail even if the writing is on the wall that is the level to which emotional blinds make people blindsided in their thoughts and actions.

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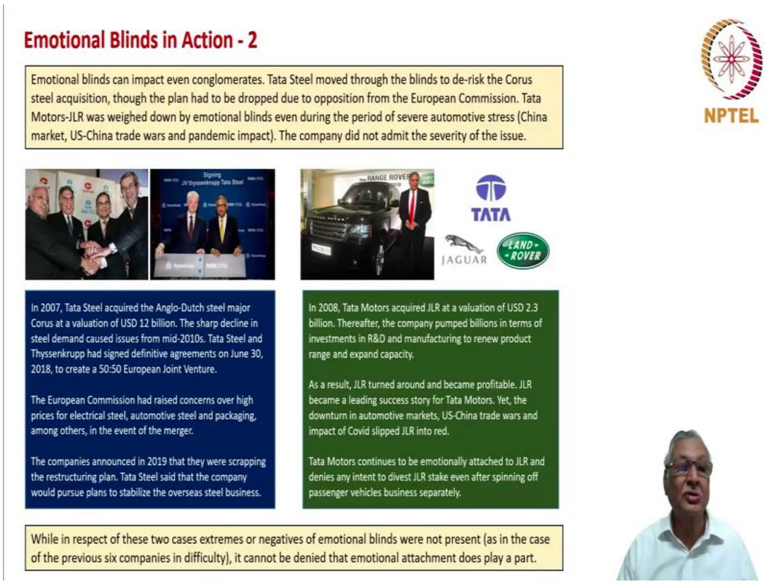

Two other examples they are not in the same league as the past examples in terms of the Emotional drag, emotional blinds can impact even conglomerates Tata steel moved through the blinds to de risk the Corus steel acquisition though the plan had to be dropped due to opposition from the European commission.

Tata motor JLR was weighed down by emotional blinds even during the period of severe automotive stress like China market, US China trade wars and pandemic impact. The company did not admit the severity of the issue even when going down the pathway of stalled production.

In 2007 just as a matter of history Tata Steel acquired the Anglo Dutch Steel major Corus at a valuation of 12 billion US dollars, the sharp decline in still demand caused issues from mid 2010s. Tata steel and Thyssenkrupp had signed definitive agreements on June 30 2018 to create a 50-50 European joint venture.

This is a great sign that the company and the conglomerate are able to look beyond the emotional blinds, dispel the mist and move forward on a realistic basis. The European commission had raised concerns over high price for electrical steel, automotive steel and packaging among others in the event of the merger unfortunately for the strategic action that was proposed.

The companies announced in 2019 that they were scrapping the restructuring plan. Tata Steels said that the company would pursue plans to stabilize the overseas steel business and as it said it has also done a different kind of deal in recent months. So, companies which are mature which are strategic in their approach and which do not have too much of emotional bias have the ability to overcome the emotional blinds and take the appropriate route even when faced with strategic crossroad.

If you look deeper into the Tata Jaguar Land Rover, in 2008, Tata motors acquired JLR at evaluation of 2.3 billion US dollars thereafter the company pumped billions of dollars in terms of investments in R&D and manufacturing to renew the product range and expand capacity. As a result, JLR became a poster boy of what Indian conglomerate could do to an ailing foreign infrastructure and marquee brand and take the company to greater heights.

JLR turned around and became profitable with Tata groups intervention it became a leading success story for Tata motors, yet the downturn in automotive markets, US China trade wars, and impact of Covid moved JLR or into red. However, Tata motors continues to be emotionally attached to JLR and denies any intent to diverse JLR stake, even after spinning of the passenger vehicles business separately.

So, these are 2 shades of emotions that are at play in the same conglomerate. However, the examples I have cited here of Tata steel and Tata motors are far better than the other examples I stated earlier which is literally took companies down the downhill.

While in respect of these two cases extremes or negatives of emotional blinds were not present as in the case of the previous 6 companies in serious difficulty. It cannot also be denied the emotional attachment does play a part in the viewpoints and the strategic moves when faced with strategic crossroad, so it is a part of leadership.

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It is now appropriate for me to connect whatever we have discussed with the 5 mistakes which we discussed in the previous lecture. In the previous lecture, we have considered that among various other mistakes that could happen 5 serious mistakes are fatal for leaders from a philosophical point of view and from an operational point of view. These are recap below through this graphic; the mistakes can be serious follies if they are driven by emotional negativity.

For example, competing with the team is one thing, but constantly criticizing the team and putting it down is a far worse thing. So, how do mistakes become follies when you are competing with the team and you are doing something even more negative to put down the team that mistake becomes a folly.

Encouraging blind loyalty worse seeking blind loyalty openly, losing touch with external world is a mistake but being ostrich like not recognizing what is happening elsewhere is a folly. Decoupling with peers is a mistake; however, becoming consciously secluded or shutting out others is a folly, narrowing the vision of the company is a mistake worse losing any aspiration is a folly.

What follows now is a case study of a leading entrepreneurial firm that grew based on the brilliance of vision, strategy and execution, but squandered its position to end up as a bankrupt firm. The brilliant entrepreneurial founder eventual lost the company almost solely, because of emotional blinds which aggravated the negative impact of the leadership mistakes.

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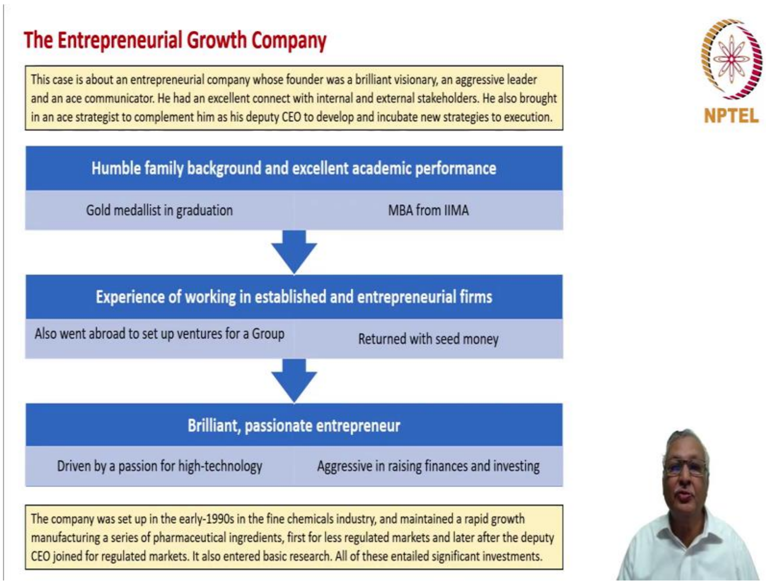

The case is about an entrepreneurial company whose founder was a brilliant visionary and an aggressive leader and an ace communicator, whatever needed to be there for a successful and enterprising entrepreneur over there in that person. He had an excellent connect with internal and external stakeholders he was charismatic in that way.

He also brought in an ace strategist to complement him as his deputy CEO to develop and incubate new strategies to execution, humble family background and excellent academic performance gold medalist in graduation MBA from IIM Ahmadabad.

Experience of working in established and entrepreneurial firms also went abroad to set up ventures for a group and returned with the seed money. Brilliant, passionate entrepreneur driven by passion for high technology, aggressive in raising finances and investing.

The company was set up in the early 1990s in the fine chemicals industry and maintained a rapid growth manufacturing a series of active pharmaceutical ingredients first for less regulated markets and later after the deputy CEO joined for regulated markets. It also entered the challenging field of basic research all of these entailed significant investments.

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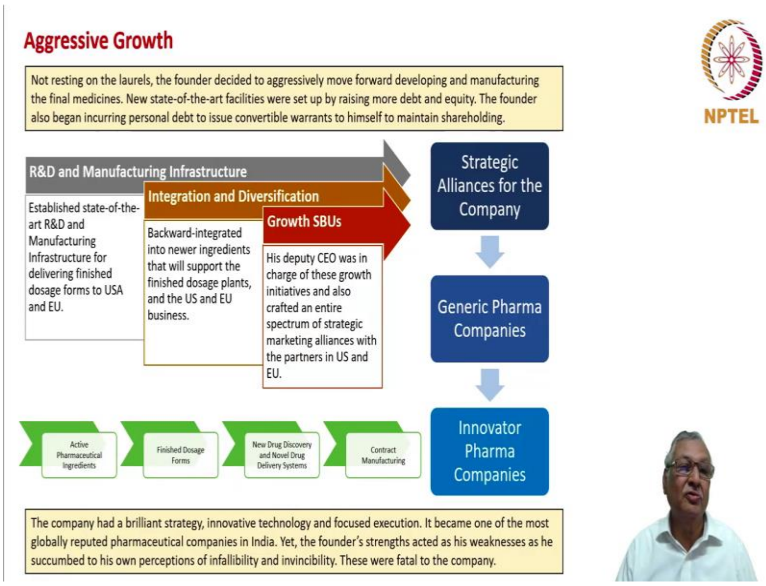

The company pursued aggressive growth what other companies wanted to do or could do in 30 years the companies sought to do in less than 10 years, not resting on the laurels the founder decided to aggressively move forward developing and manufacturing the final medicines what we call formulations.

New state the art facilities were set up by raising more debt and equity. The founder also began incurring personal debt to issue convertible warrants to himself to maintain share holding, because that was the time when promoter was expected to maintain the shareholding at the same level; otherwise the investors would assume that the promoter wants to move away from the company.

That was incorrect assumption of the investors, but that used to be there at the point of time. So, the three planks of growth were R&D and manufacturing infrastructure, state of the art facilities to deliver finished dosage forms to US and EU besides strengthening the API infrastructure to support.

Integration and diversification: Backward integrated into newer segments and newer ingredients which will support the finished dosage plans and the USA and EU businesses. Growth SBUs: The deputy CEO was in charge of these growth initiatives and also crafted an entire spectrum of strategic marketing alliances with the partners in the US and EU.

And the strategic alliances for the company were with Generic Pharma companies as far as the generic formulations business was concerned and with the Innovator Pharma of companies in so far as drug discovery drug development were considered. So, the value chain as a result of the aggressive growth plan was complete from active pharmaceutical ingredients to finished dosage forms to new drug discovery novel drug delivery systems and finally even to contract manufacturing.

The company thus had a brilliant strategy, innovative technology and focused execution. It became one of the most globally reputed pharmaceutical companies in India, yet the founder’s strengths acted as his weaknesses has he succumb to his own perceptions of infallibility and invisibility these were fatal to the company.

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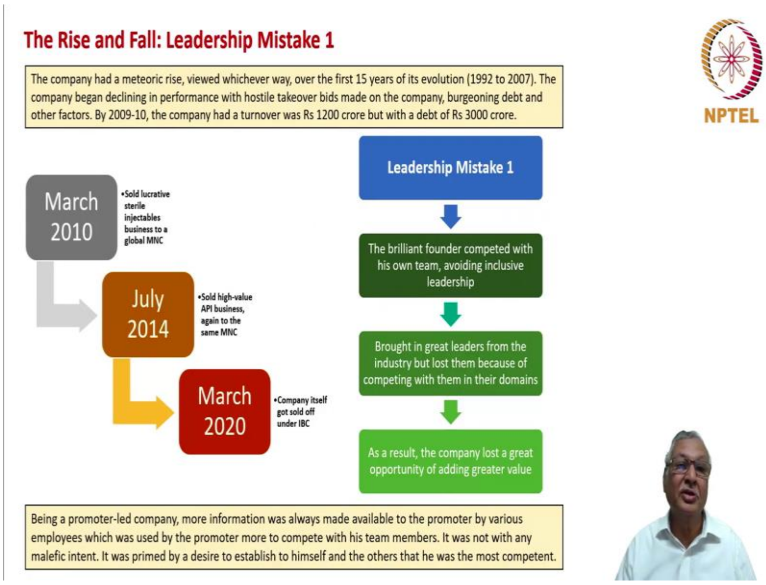

The rise and fall; leadership mistake 1, the company had a meteoritic price viewed whichever way over the first 15 years of its evolution 1992 to 2007. The company began experiencing a decline in performance also with hostile takeover bids, which made the company which is already bludgeoning with debt and other factors. A weak company structurally by 2009 – 10 the company had at turnover of rupees 1200 crores, but the debt ballooned to 3000 crores.

So, if you see the key milestones from its start in 1994 by March 2010, it had reached a stage where the lucrative sterile injectable business that was set up into 2006 had to be sold to global MNC. In July 2014, it had to sell its high value API business again to the same MNC and by March 2020 the company itself got sold to IBC.

If you analyze what happened with the company, the first leadership mistake was that the brilliant founder competed with his own team and avoided inclusive leadership. It was to the credit of the deputy CEO that he clearly specified the space in which he would operate and to that extent he could make a success of the expansion and diversification strategy.

But beyond a point it was also the financial strategy, the active ingredient strategy and also the new investments risk taking and not to mention the private debt strategy that cause the kind of instability that took the company down and out. The entrepreneur brought in great leaders from the industry, but lost them because he tried to compete with them in their domains.

As a result, the company lost a great opportunity of adding even greater talent and even greater value. Being a promoter led company more information was always available to the promoter by various channels and from various employees this was getting used by the promoter more to compete with his team members than to help the team numbers.

It was not with any malefic intent though, it was primed by a desire to establish to himself and to the others that he was the most competent, most knowledgeable and probably most strategic and operationally efficient person. But by the way this panned out it was not so, in fact it led to his inability to run the company in an appropriate manner.

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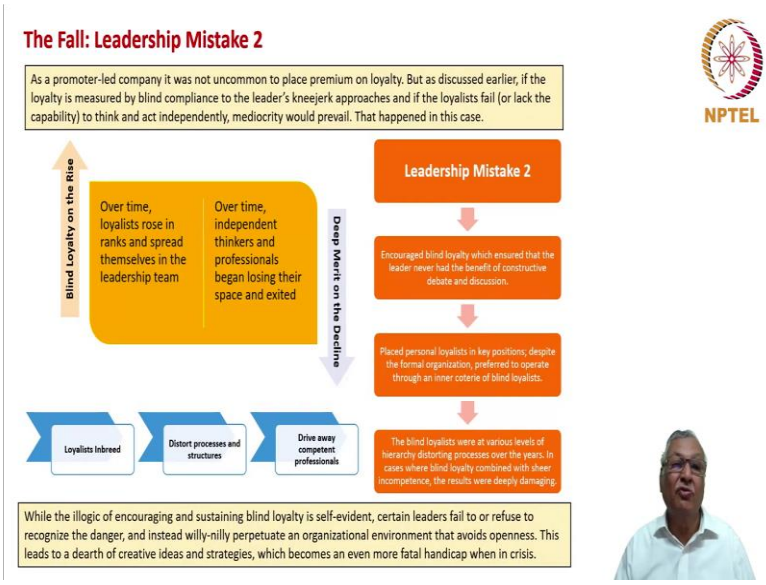

The fall Leadership Mistake 2 as a promoter led company it was not uncommon to place premium on loyalty. But as discussed earlier if loyalty is measured by blind compliance to the leader's kneejerk approaches and if the loyalties fail or lack the capability to think and act independently mediocrity would prevail that happened in this case unfortunately.

Blind loyalty kept on rising in the company, over time loyalists rose in ranks and spread themselves in the leadership team and also in the managerial team. At the same time deep merit went on the decline, over time independent thinkers and professional began losing their space and exited.

Loyalists always inbreed they distort the processes and structures and they drive away competent professionals, that is what happened here. Leadership mistake 2 therefore was encouraging blind loyalty which ensured that the leader never had the benefit of constructive debate and discussion with intellectually capable people.

The leader plays personal loyalties in key positions despite the formal organization he preferred to operate through an inner coterie of blind loyalists. The blind loyalists were at various levels of hierarchy distorting processes across the organization over the years. In cases where blind loyalty combined with shear in competence the results were deeply damaging for the company.

While the illogic of encouraging and sustaining blind loyalty self evident certain leaders failed to or refuse to recognize the danger and instead willy-nilly perpetuate an organizational environment that avoids openness. This leads to dearth of creative ideas and strategies which becomes an even more fatal handicap when in crisis.

Many people believe that had the entrepreneur not lost the talent the company would never had to go to the IBC situation, the company would still have been flourishing as a great company even today. That is the importance of having intellectually Robust and communication wise strong second line leadership or co leadership.

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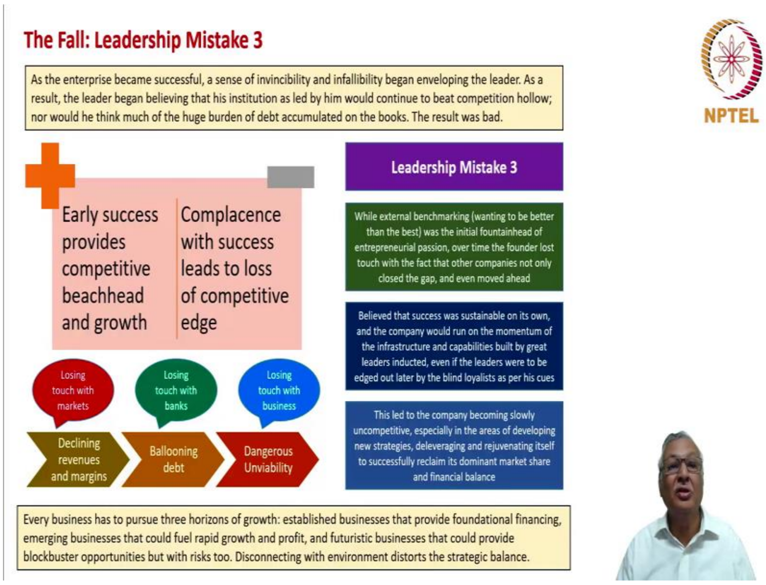

The fall Leadership Mistake 3, as the enterprise became successful a sense of invincibility and infallibility began envelop leader. As a result, the leader began believing that his institution as led by him would continue to beat competition hollow; nor would he ever think much of the huge burden of debt accumulated on the books. The result was bad and negative.

We talked about adulation leading to a distorted ego state of leader and that happened here. Early success provides competitive beachhead and growth, however complacency with success leads to loss of competitive edge. Declining revenues and margins happen because of losing touch with the markets, losing touch with the banks ensures that the debt gets ballooned without any constructive rehabilitation.

Losing touch with business makes the company get into dangerous unviable situation. So, the leadership mistake 3 was as follows, while external bench marking wanting to be better than the best was the initial fountain head of entrepreneurial passion in this case over time they founder lost touch with the fact that other companies not only close the gap and even moved ahead.

The entrepreneur believed that success was sustainable on its own and the company would run on the moment of the infrastructure and capabilities built by great leaders who were inducted. Even if the leaders who are to be edged out later by the blind loyalists as per his cues, this led to the company becoming slowly uncompetitive especially in the areas of developing new strategies, deleveraging and rejuvenating itself to successfully reclaim its dominant market share and financial balance.

Every business has to pursue three horizons of growth established businesses that provide foundational financing, emerging businesses that could fuel rapid growth and profit and futuristic businesses that could provide blockbuster opportunities. But with attended risk too disconnect with the environment distorts this strategic balance.

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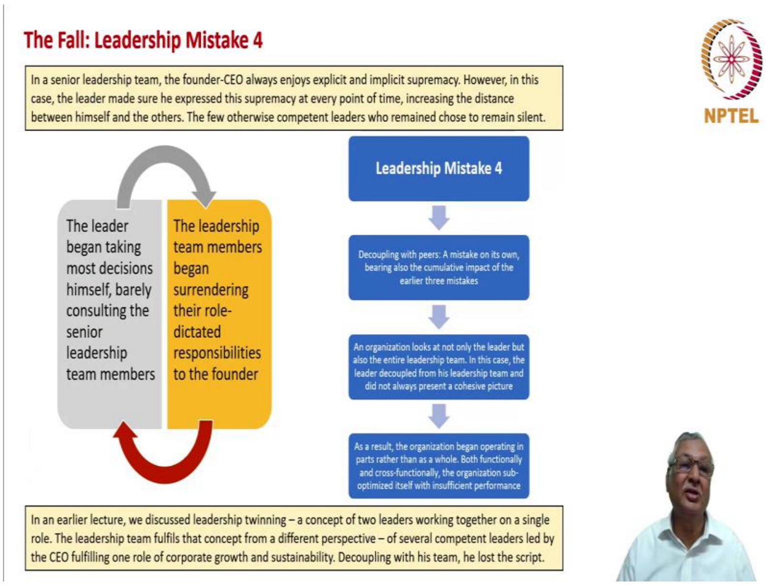

Explaining the fall further Leadership Mistake 4; in a senior leadership team, this founder CEO always enjoys explicit and implicit supremacy. However, in this case the leader made sure he expressed this supremacy at every point of time, increasing the distance between himself and the others.

The few otherwise competent leaders who remained choose to remain silent. The leader began taking most decisions himself particularly after the sterile injectable business was sold off and the deputy CEO moved to that sterile injectable business as a managing director and therefore he got separated from the company.

This has actually aggravated the situation further, the leader began taking most decisions himself barely consulting the senior leadership team members and one very important member of the team who could speak out the mind and who could execute with the strategic agility and strategic objectivity was no longer available.

The leadership team members began surrendering their role dictated responsibilities to the founder, that is whoever was left they started between mute and they started surrendering their responsibilities. Leadership mistake 4 happened in this case that is decoupling with peers a mistake on it is own bearing also the cumulative impact of the earlier 3 mistakes.

An organization looks at not only the leader, but also the entire leadership team. In this case the leader decoupled from his leadership team and did not always present a cohesive picture. As a result, the organization began operating in parts rather than as a whole, both functionally and cross functionally the organizations sub optimized itself with insufficient performance and in several ways highly negative performance.

In an earlier lecture, we discussed leadership twinning a concept of 2 leaders working together on a single role, the leadership team fulfills that concert from a different perspective of several competitive leaders led by the CEO fulfilling one role of corporate growth and sustainability. I illustrated that with the reference to Infosys in the last lecture. Decoupling with his team the entrepreneur leader completely lost his script.

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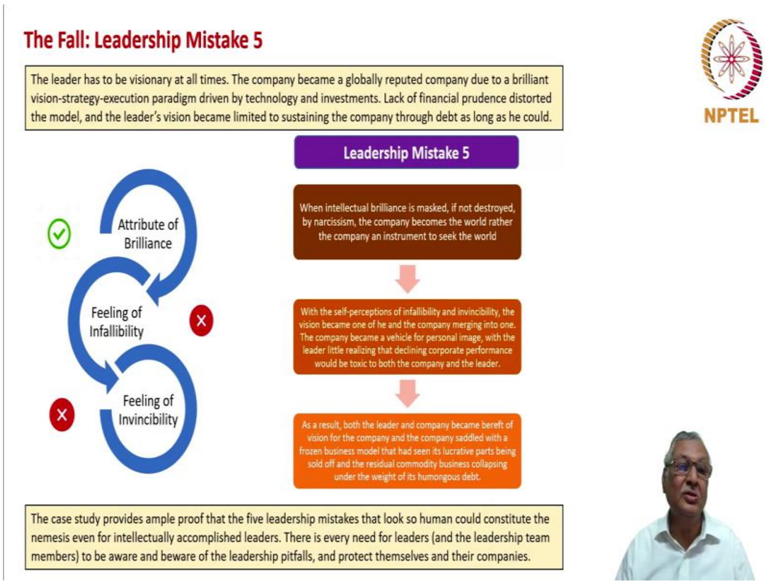

Explaining further the fall, Leadership Mistake 5, the leader has to be visionary at all times the company became a globally reputed company due to a brilliant vision, strategy execution paradigm driven by technology and investments. Lack of financial prudence distorted the model and the leaders vision became limited to sustaining in the company through debt as long as he could.

The attribute of brilliance of the entrepreneur and some of the earlier team members including with the deputy CEO were the high points of the company and it caused the company to move to the highest trajectory. You will recall my saying at an earlier point that the biggest core competence a company could have is to have the best and brightest talent work in it is campus and that was the core competence of this company.

But because of the leadership mistakes that talent went away. Then of course the feeling of infallibility, the feeling of invincibility which we discussed in the previous slides. So, the leadership mistake 5 made sure that the set of mistakes were complete and most debilitating for the company.

When intellectual brilliance is masked if not destroyed by narcissism the company becomes the world rather than the company an instrument to seek the world, note this if you are self primed for your own good and not for the company's good. And if you become introverted and being obsessed about your own leadership infallibility and invincibility, then the intellectual brilliance gets masked it even gets destroyed by such narcissistic tendencies.

The company then becomes the world rather than the company becoming or being an instrument to seek the world. When the self perceptions of infallibility and invincibility increase this way the vision became one of he and the company merging into one, the company became a vehicle for personal image with the leader little realizing that declining corporate performance would be toxic to both the company and the leader and this kind of downhill path was accelerated by the blind loyalists in the company.

As a result, both the leader and the company became bereft of vision for the company and the company got saddled with a frozen business model that had seen its lucrative parts being sold off and there being no talent to revitalize the balance business. The balanced residual commodity business collapsed under the weight of its humongous debt which continued to be there on the books.

This case study provides ample proof that the 5 leadership mistakes that look so human, could constitute the nemesis even for intellectually accomplished leaders. There is every need for leaders and the leadership team members to be aware and beware of the leadership pitfalls and protect themselves and their companies.

In this case the entrepreneur was an absolutely brilliant entrepreneur, as a person he was a humanist; as a leader he had got several characteristics of great leaders I talked about the photographic memory, the sharp acumen with numbers, a strong business sense and you name it he had it in the beginning years of the entrepreneurial journey.

But the leadership mistakes that drove the company to this dire situation were caused by the emotional blinds that surrounded him and he fell a prey to the weaknesses he built around himself rather than the strengths he should have built around him that was the unfortunate thing.

But the good point still is that the entire infrastructure was built on high technology and high sense of business strategy. As result, the infrastructure continues to be available for other owners and other entities to make use of and keep contributing to the health care industry globally.

The only sad part is that having built such a great institution the entrepreneur almost by his own making lost the ownership of that company. Had the virtuous model been continued by now not only this company would have grown to great heights, but the company would have been a conglomerate in the health care space that I have no doubt.

But the actual situation was unfortunately different and negative mainly because of the leadership mistakes and the emotional blinds, that distorted the leader's outlook as well as actual performance. With this we come to the end of this lecture, hope to see you in the next lecture.