

Railway Transformation Lecture Series

Lecture – 5: "Captain in a crisis - Lessons in Leadership" by Mr Suresh Narayanan

A lecture was delivered by Mr Suresh Narayanan, Chairman & Managing Director, Nestle India in Rail Bhawan on April 26, 2017, under the Railway Transformation Lecture Series organized by Ministry of Railways. Topic of the lecture was "**Captain in a crisis - Lessons in Leadership**". Senior officers of Railway Board, General Managers, Divisional Railway Managers, Chairman cum Managing Directors (CMDs) and Directors of Railway PSUs attended the lecture through video link.

Mr Suresh Narayanan who has successfully dealt with the crisis related to Maggi episode in 2015, shared his experiences and perspective on leadership and the same is narrated below:

- Crisis never announces when it would arrive. Maggi episode suddenly happened and lingered on for a while and its magnitude was such that it could have potentially sunk the organization.
- One of the strong points that have been mentioned about leadership is that **winners never quit**. If you are a winner and believe in your heart and mind that you are a winner, you will never allow yourself to quit.
- The Maggi episode explained:
 - Nestle launched Maggi as a snack food in India in 1983. The 2-minute snack had a dual appeal
 - It was convenient and customizable
 - It was tasty and light but filling
 - Business multiplied 7 times in eight years. Most fabulous growth which any consumer goods brand could have in the country
 - It also created employment for people selling noodles outside at various places outside colleges, cafeteria, in parks etc. This made the brand even more popular.
 - The Maggi brand grew and almost reached the **Cult status**
 - It was the most trusted food brand
 - It was the second largest FMCG brand in this country
 - It was also rated amongst the top 5 most powerful brands
 - Everything was just going top of the order and suddenly the brand faced a massive heart attack. All hell broke loose. It started from Barabanki. There was talk about misbranding and monosodium glutamate in Maggi. This led to tests which came out with lead content of 7 to 8 times of the prescribed values. This went straight onto the media and social media. **Overnight in 2015, consumers' trust in Maggi fell from 98 % to 3 % and Maggi sales plummeted from 15,000 tons a month to zero**. It was a catastrophic collapse as Maggi accounted for 25 % of Nestle's revenues.
 - Under these circumstances Nestle decided to retreat the brand with grace as perpetuating the brand was not seen to provide any benefit. The Maggi product was withdrawn from the shelves. To deal with this crisis, Mr Suresh Narayanan who was Chairman of Nestle, Philippines was called to take over as Chairman of Nestle, India. And he had to give live interview on the episode.

Lesson learnt - In a crisis you are seldom given a chance to gather yourself. Every one wants you as the leader and head of the organization to respond immediately.

- It was an onerous responsibility for Nestle, as not only the 10,000 employees but also 2000 distributors, 15000 suppliers, 400,000 farmers and millions of small outlets stocking Maggi were dependent on the brand for livelihood. While answering media questions, any mistake made by the leader in body language, or demeanor or in attitude can devastate a lot of people and their lives. Next **Lesson learnt - The biggest challenge in managing a crisis of a large magnitude is to manage yourself** before you manage the rest of the team. Many of us are incapable or don't think important to manage ourselves. If you do not manage yourself well, you could land yourself into difficult situation that could compound the problems.
- Safety and quality are the two most uncompromisable values of Nestle company established 150 years ago in Switzerland. Whenever Nestle sets up factory in any country, it is ensured that the standards are exactly the same. So, Maggi noodle in India may be different in taste so as to suit local tastes, but in terms of safety and quality it is exactly the same as what is sold elsewhere in the world. So, **Nestle decided to fight the situation and not take flight.**
- However, this was a very difficult crisis. In a typical crisis, you have to fight a competitor, but in this case, it was Nestle versus the Government of India. Nestle took the challenge to Bombay High Court. It went to Food Safety and Standards Association of India (FSSAI) and explained Nestle's policy and standards on food quality and safety and shared the fact that the product was found to be safe across countries in the world. The company also approached Ministry of Food Processing Industries and Ministry of Health and Family Welfare and explained the point of view of Nestle. Nestle believed that talking and explaining to stakeholders was more appropriate way to handle this situation than going to the media.
- Although the Maggi brand was off the shelf, but the strength of the brand was so big that there were millions of customers who did not believe a word of what was being said. They expressed their trust on social media and wanted the brand back. This was a peculiar situation in marketing when the consumers were expressing their sentiment for the brand on social media and the brand was not on the shelves. Keeping this in view, Nestle launched the campaign "**we miss you too**" targeted at the youth who were truly in love with this brand.
- High court delivered its judgement in August in favor of Maggi. Court specified a process of due diligence in order to ensure that the brand came back with proper testing in accredited laboratories and meeting certain protocols in manufacturing. This was a relief not just for the company but the entire ecosystem of employees, distributors, suppliers, farmers and retail outlet owners dependent on the company. There were however severe challenges as large number of articles (about 10,000) had been written trashing Nestle completely and the stature of the organization needed to be rebuilt. People had to be managed.

- **Learning from the Crisis - Crisis situation is also a big opportunity for defining the purpose in the organization.** Purpose gets strengthened when there is a crisis. **Crisis can become a rallying point which leaders should never miss.** We are often so busy trying to address the crisis and we miss out on the potential positive effect of the crisis. After the court judgement, Maggi had decided to be back in next 3 months. It was not going to be easy as 5 factories had been shut down for close to 6 months, and supply chains were lying idle (5000 out of 15,000 suppliers had actually packed up because they had nothing to supply). This is where the values and purpose of an organization become very important. The important point is that whether it be employees, trade unions, distributor or supplier, not one had gone to media with a nasty comment during the period of the crisis, nor went to court nor behaved in a manner which was contradictory to values of company which rest on respect, ethics, dignity. A **sense of purpose** amongst the people led to a super human action and following extraordinary feat were achieved:
 - Packaging material time reduced from 42 days to 9 days
 - Raw material movement time reduced from 21 days to 5 days
 - Point of Sale Material time reduced from 60 days to 20 days
 - System readiness time reduced from 21 to 5 days
 - Advertising campaign time reduced from 45 to 20 days
- Sometimes we become cynical about people and believe that it will happen as it has been happening but this is what people have done. **Power of leadership lies in the capability to catalyze a crisis into an opportunity** and leverage it so that organization reaches such a level of performance it never was. Nestle galvanized the people and covered 350 towns and 120,000 outlets in a matter of days. People worked hard and did it with a sense of purpose and conviction. **Important lesson - People can deliver if they are given a sense of purpose and right kind of inspiration.**
- Result - **Trust level which had plummeted from 93 % to 3 % went back to 89 % in three months** and market share sore. A brand which was declared dead in June 2015 came back to life and leadership and rose from the ashes like a phoenix.
- Lesson - **If you get the consumer right, anything and everything will happen.** If you get the consumer wrong, you may do whatever you want and provide whatever outstanding systems and service, the consumer will still not trust you.
- To seize the opportunity further, Nestle innovated full throttle and came up with new flavors. **Lesson - Every organization has a genetic potential and the time to test is when the organization is going through adversity. Nestle launched 35 new products in a span of 12 months. This is more than what Nestle launched in the previous 10 years.**
- **Learnings from Maggi experience: How to bring confidence in organization**
 - **Exude positivity** - In a crisis you do not have a readily available road map and an answer or solution. The solutions and the steps evolve every day. But as a leader what one can do is, exude positivity and declare that one is not only part of the team but is also the go to guy when there is difficulty.

- **Embrace opportunity** - Look at a crisis as not just something that hit you but also as an opportunity
- **Engage** - When in a crisis, an important job of the leader is to engage with employees and other stakeholders and share with them what is happening. As a head of the organization one may know about the details of the crisis situations but others would not be knowing, and so that causes unnecessary anxiety and speculation amongst people. So, one needs to share the information with all.
- **Communicate** - It's very important to communicate well, simply and with empathy. One wrong communication can devastate the situation, as it happened in the case of Gulf of Mexico oil spill crisis faced by British petroleum (BP) when CEO of BP said to several news organizations - "I want my life back". We should not forget simple human factors as we become senior. When we become very senior we feel that we should not let others know that we are vulnerable. This is not the right approach. People should know that the leader is vulnerable too and it's then when cohort starts building.
- **Credibility and Confidence** - Ultimately one has to reflect the values one has as a human being.
- **Face Reality** - In crisis there are two kinds of people
 - Drummers – who keep on talking and propagating negative ideas and news that the organization is doomed
 - Shehnaiwallas- They will keep on coming and telling the CEO that everything is going fantastic and he is doing well and without him the organization cannot survive. CEO also tends to get carried away with this jingoism.
As a CEO or head of the organization one needs to have his/her own reality check so that he is not trapped in a confirmation bias. One needs to have some Cassandras who can warn of the situation and suggest that improvements are needed.
 - **Unite** – Worst thing to happen in a crisis is when people start disassociating themselves from the crisis and start blaming others. All of us have a tendency to become a hero and not be a zero. But in a crisis, everyone is a zero. How can one person be a hero when the organization is going down the chute? As a leader, one's prime job in a crisis is to unite the people. During the Maggie crisis, 60% of time of the CEO was spent on meeting and talking and explaining to people, factory workers, trade unions and the media.
- **Lessons in Leadership**
 - **There is an Opportunity in Adversity**
 - Organizations need to be shaken up. Sitting comfortable for long we become like frogs in a well. So sometimes it may be useful to create little bit of adversity/crisis to test the capability and skills in the organization
 - **Don't be afraid of uncertainties**
 - **Teamwork and Achievement will drive Credibility**

- You are as good as the team you lead. Most effective leaders are sometimes the most reticent, quiet and humble people.
- **Always strive for 'Can Do'**
 - One of the problems as we become senior is that our attention span becomes less. So, we tend to get impressed by a clever person who presents thoughts in a complex manner. People who can deliver and get things done are rare to find. But when you find such people, keep them as they are the people who can rise to the occasion.
- **People are at the center of everything you do**
 - We need to spend more time and resources on development and training of our people. At leadership positions the individual performance does not matter. What matters is the orchestration of the performance. The leader of an Orchestra does not play any instrument but produces amazing music as he knows every Note that is to be played and by whom.
- **Volatility = Keep Plan B ready**
 - In today's times things are changing every day so we need to keep back up plans
- **Never lose your "winning spirit"**
 - If as a leader you accept defeat, then you are affecting thousands and thousands of people. As a leader, your sentiments are infectious. So maintain your winning spirit through the crisis.
- **Keep your eyes on Reality, Reality, Reality**
 - This is easier to preach but difficult to practice as you want to see Reality the way you want to be. If you are losing market share you don't want to see reality. If things are not going our way, our egos come in the way. Since, it's the leaders neck which is involved, he has to ultimately take the call after assessing the real situation. Leader should be ready to take criticism. So a leader needs to balance between top down and bottom up approach in assessing the Reality.
- **Constantly communicate not Less but more**
 - Crisis and difficult times happen not because organization is doing badly but because people do not understand what the organization is doing. Many times, we put our vision statements in a very complex manner. **Vision statement should be such that they are understandable by the frontline staff.**
- **Keep to your values, be humble, listen & stay connected, above all be human**
 - Humility is not a virtue which comes with leadership. Typically, you get more and more puffed up as you go up. What is important is what you are as a human being. Chairman Honeywell said - **"You will never be remembered for the growth and profitability you showed, you will always be remembered for how you made the other man feel"**. We often think that to be arrogant and difficult is a sign of great leadership. Unfortunately, it does not work that way. Stay connected with people, walk over to them and listen to what they are talking. You don't have to be nasty in order to be effective. Don't compromise on the results

to be delivered, but within that, being human, empathetic and transparent is very important.

Sir Winston Churchill said – “Success is not final; Failure is not fatal; It is the courage to continue that counts”