Leader’s highest lever is people before strategy: Ram Charan

By Saumya Bhattacharya, ET Bureau | 24 Jan, 2014, 04.00AM IST

To be a world-class business, you need to focus on people. A leader’s highest lever is people. Leaders create vision, align people emotionally, lead other people to a certain direction, but also have to develop people ahead of the business needs, says management guru and advisor to the world’s leading CEOs, Ram Charan. He was in Delhi recently as part of ‘Global Thought Leader Series’, organised by Great Lakes Institute of Management.

Edited excerpts from an interview with ET.

How should top business leaders deal with turbulent times?

Ram Charan: The top leaders who influence decisions have to have a very clear eye on the longterm prize. For example, all the uncertainty notwithstanding, we will have another 200 million in India in the middle class. There will be ups and downs, but keep an eye on that prize if you are an FMCG, or if you are a consumer goods company. It is not happening. The second tier of towns is going to be a huge source of business. You have towns of half-amillion people and villages in the higher income bracket.

Simultaneously, there are technological changes, or you will have governments that reverse policies. You are going to have high inflation, low inflation. The questions to ask: How do I build my company that goes through these ups and downs, but keep an eye on going forward? There will be impediments. That is the first part of dealing with uncertainty.

What are the other factors top leaders should keep in mind?

Ram Charan: You need to have sufficiently solid cash flows and balance sheet. These will help you navigate the storms. If you are too highly leveraged, it makes you very vulnerable to those storms.

As a top leader, you need to have regular annual productivity improvement. It makes you competitive. It gives you the resources to go forward and helps you withstand the shocks. Also ask yourself: are you developing talent that is going to deal with the uncertainties? Are you doing innovation that will take you there?

Are top CEOs getting the talent piece right?

Ram Charan: To be world class you need to focus on people. A leader’s highest lever is people: people before strategy. People compete, businesses don’t. Leaders create vision or embrace a vision, they align people emotionally, they lead other people to a certain direction, but they also have to develop people ahead of the business needs.

Is management education equipped to build ethical leaders of tomorrow?

Ram Charan: When it comes to ethics, it is the individual character that matters. Education can make them aware of it. Character is built; it is not taught. Schools will adapt as they go along. The key is, when you are recruiting people in a company, you have got to pay attention to an individual’s character. When things go wrong, in most cases, it has been in the character of executives for some time. It's not just the last moment.
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