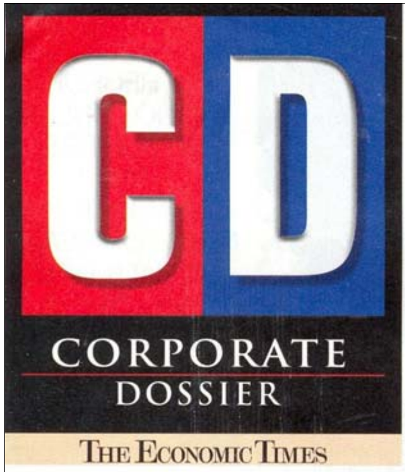
The Economic Times– Corporate Dossier
07 December 2007



Priyanka Sangani

WHEN RAJEEV KARWAL joined Reliance Retail last year, it was after a string of successful stints at companies like LG, Philips and Electrolux. Having earned his spurs as a startup and turnaround specialist, he was expected to be among the high flyers as the head of the consumer durables business. But one week into his job, he came to a realisation. "My heart lay elsewhere," he says. Karwal quit eight months later and set up Milagrow Business & Knowledge Solutions, a venture catalyst firm that works with SMEs.

For Ajay Kaul, CEO, Domino's India, who came to India after a stint at TNT Express in Indonesia, the first few months were a blur as he came to grips with an alien industry. His predecessor had already left the country so there was no formal handover, which Kaul feels could have made his early days a little smoother. "You are relying on direct reports and every verbal and non-verbal cue to adjust to the new environment," says Kaul. The first three months were hectic, but they the pace for the rest of his tenure and Kaul is now a well ensconced pizza CEO.

The 100 day period has long been used as the first stage of judging how effective a person's performance has been, whether it is the President of the USA or a fledgling enterprise. Why 100 days? Apart from the obsession with measuring performance on a quarterly basis, it's also a nice round number. "It's a long enough time to see if the immediate objectives of the move have been met," says Shalini Pillay, director, KPMG Advisory Services.

Clockwise from top left: Rajeev Karwal, Ajay Kaul, Shalini Pillay, Rangu Salgame

While the exact specifications of what needs to be achieved during this period vary, there is a general consensus that 100 days are indication enough of whether it is a successful move or not. And it applies not just to CEOs, but to fresh entrepeneurs as well. After all, there are many who have been known to chuck it and return to the corporate fold. Karwal, for one, says " You get a clear idea within the first 100 days of whether or not the venture will work. Entrepreneurs tend to go wrong because they don't set down the rules clearly for themselves."

Deepak Shahdadpuri, managing director, Beacon India Advisors says that within the first 100 days, one would have a very good feel about the likelihood of the venture succeeding. For Shahdadpuri, it's been a mixed experience going on as a board member at the companies his fund has invested in. "Since we invest in fledgling companies, my role on the board is also that of an advisor," he says. In such a situation, if the older board members and the newcomer are unable to establish a professional relationship, it has an impact on how the board functions. Normally, the first few months are enough to build the trust that is required, says Shahdadpuri, but there have been cases when it hasn't quite worked out. If you don't establish a strong relationship in the early days, there is an increased likelihood of things going wrong.

For a new CEO coming in to head a company, it is a far more complex situation. Not only does he have to get accustomed to a new workplace and culture, but he also needs to start proving to the board that they were right in hiring him. During the first few months, the issues that crop up have less to do with the actual performance, and more with the softer side of the business. Anindita Banerjee, principal consultant, Stanton Chase International says that the first month is enough for the CEO to create an impression and then position himself within the organisational structure. "During this time, how others perceive and react to him is important to him," she says.

Potential threat factors generally come to the forefront during the initial months. A new CEO could be faced with an alternative power centre, perhaps the COO who has been in the company longer, often leading to frustration, and at times the CEO walking out. While most CEO's tend to give themselves more time to settle down, one common reason for them quitting is miscommunication or a misunderstanding about their role or what is expected of them, says Egon Zehnder's Govind Iyer.

Rangu Salgame, who is barely a month into his new job as the President of Tejas Networks, has spent most of this time on the road, meeting with key clients and stakeholders. "Before shaping my strategy for the business, it is important to listen to, and get feedback from the clients and employees about their view and vision for the company," he says. His first 100 days at Cisco, his former employer, weren't too different from what he is currently experiencing at Tejas, he says. Irrespective of the company, you need to first get a clear idea of what is expected of you and where the company is headed before working on your strategy, which should be ready by the end of the three month period, says Salgame.

The First Lap

PAGE 1: THE FIRST 100 DAYS

WHEN YOU JOIN a new company, you need to be cognisant of the ground reality that the culture will be different from what you are used to. Here, it is essential to go in with an open mind and not get frustrated if things are not what you expect them to be.

The scale of the adaptation changes completely when you shift focus to an acquisition. Marico, which has made seven acquisitions in a little under three years, sees the first 100 days as both a showcase as well as a honeymoon period. "During this period, everyone is avidly observing the deal and most would be fishing for negatives. An adverse observation would set the deal up for bad publicity and eventually, disaster," says Milind Sarwate, chief HR & strategy, Marico. At such times, it becomes critical to track the early demonstrable wins to all the stakeholders to set the right tone for the future.

"After a merger, there is a significant amount of value and knowledge loss in the first 100 days, through attrition," says Ganesh Shermon, head - human capital practice, KPMG. "It's always the good employees who leave first."

Sarwate says that companies tend to be more inward looking during this period and take their eye off the market, enabling competitors to take advantage of the situation. People are the most important part of managing the post merger integration and it is essential that the roles for the senior management are clearly defined. If employees feel that there is uncertainty about their future in the company, they may start looking for opportunities elsewhere. The biggest derailment in these cases happens if post-acquisition the head of the acquired company quits. Even if there are contractual stipulations, he may stay on for as long as required without adding any significant value. There is also the possibility then, of the core team following him out. If this happens, the momentum cannot be sustained and it becomes tough to meet the pre-deal objectives.

Ganesh Shermon

Another important aspect is finding a fit between the two company cultures. In cross-border acquisitions, of which India has seen many in the recent past, the acquirer must adapt to the cultural nuances in the foreign country, rather than impose cultural changes. When Tata Tea acquired Tetley, it was an unusual case where the acquirer was a far smaller company, and an Indian one at that. John Nicholas, MD- business development & developed markets, The Tetley Group says that from the very beginning, the Tatas made it clear that they would not come in and change things. "While the management and strategy was kept in place, the early days were all about shared learning and evolving a joint venture strategy," he says.

Anindita Banerjee

Govind Iyer

Milind Sarwate

D Shahdadpuri

John Nicholas

Vineet Bhatnagar

"A merger is also a good time to change things for the better," says KPMG's Pillay. Post acquisition by Man Financial (now MF Global), Refco India was exposed to a more transparent and less hierarchical system of communication, which was welcomed by the employees. "There was a lot more multi-level and multi-regional communication across the different functions, which has resulted in faster integration and better information flow," says Vineet Bhatnagar, MD, MF Global.

Intelenet Global Services was recently involved in a management buyout and CEO Susir Kumar says it is essential is to have clarity in vision even before a new structure is formed. To ensure that the MBO did not impact the functioning of the company, the key changes were communicated to all the stakeholders. "Our focus for all our stakeholders was maintaining continuity for our clients and employees," says Kumar.

The first 100 days play an important role in defining the vision and long term strategy of the business, irrespective of what the case may be. The key to seeing them off smoothly is to keep all channels of communication open rather than let the grapevine do the talking.

priyanka.sangani@timesgroup.com