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**Conclusions Paper**

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**ENERGY AND ORGANISATIONAL  
CULTURE**

*In conversation with Dr Raman*

*Ramachandran, Chairman and Managing*

*Director of BASF India*

## ENERGY AND ORGANISATIONAL CULTURE

CHROs' ability to impact organisational performance is profound. Not only are HR heads tasked with hiring the right people, mapping the organisation's talent to its plans and aspirations, and building performance measurement matrices, but also – more, perhaps, than any other C-suite executive – they must help shape a high-performance culture. As change continually presents itself, whether in response to a new competitor, growth, new IT systems, or a wide variety of other business stressors, the ability to drive a consistent and tangible culture is the only key to sustainability. That culture must itself be predicated on the end-outcome of high performance, in whichever manner one chooses to measure performance. It is then critical to understand, identify, build, and adapt the capabilities, skills, attributes that contribute to a high-performance culture. The quality of leadership also matters immensely in building such a culture. To arrive at a deeper assessment of these aspects of organisational culture and how it affects the business, IMA India asked Dr Raman Ramachandran, Chairman and Managing Director of BASF India, to share some practical lessons on what works and what does not, in this regard.

***Businesses fall in one of four 'energy states', which result from the interaction of energy quality and intensity...***

***...and they can consciously move from one state to the other***

***Even in a down-and-out business, aspirational goals can help motivate people***

### ORGANISATIONAL ENERGY: THE FOUR STATES

Organisational energy creates the resulting force to achieve business goals. Companies differ in both the intensity (*the degree to which an organisation has activated its potential energy*) and the quality (*positive or negative*) of energy. The interaction between these two determines an organisation's energy state. When plotted on a 2x2 matrix, organisations in the right-most 'productive zone' (high quality and high intensity) display positivity and urgency, which makes them more productive. Diagonally opposite this is the 'resigned zone' marked by inertia, politics, and frustration. Organisations high on positive energy but low on intensity (the 'comfort zone') prefer the status quo, while those with high intensity but low energy (the 'corrosive zone') are aggressive places, marked by negative competition.

It is possible to adopt strategies that move the organisation to a more productive energy quadrant. Approaches such as 'Winning the Princess' (relying on strong positive emotion to drive change) and 'Slaying the Dragon' (solving or overcoming an existential external threat) can aid the shift away from a 'resigned' or a 'comfortable' energy states, towards a more productive one. The downside risk of *doing nothing* is of falling into an energy trap that triggers either a decline to mediocrity, or a full-blown crisis.

### TRANSFORMING BASF'S ORGANISATIONAL ENERGY

#### Setting ambitious goals

In 2013, when Mr Ramachandran joined BASF India, it was one of the Group's worst-performing companies in the Asia Pacific region. Operating in siloes, it was low on energy and slow on decision-making. It also lacked customer centricity, and had an opaque culture. As a first step, Mr Ramachandran set the ambitious target of making BASF one of the three top-performing companies in the region. Such an aspirational target proved to be a great motivator, and right away, it infused energy in its employees.

***Frequent ‘pulse’ surveys help assess employee expectations and leadership shortcomings***

### ***Checking the pulse of the culture***

Regular ‘pulse’ checks give leaders a better understanding of team dynamics, and a sense of how employee engagement can be improved. To find out what excited and frustrated them, ran surveys and interviewed its people. The information it collected revealed deep insights on employee expectations, and crucially, about leadership behaviours. A decision to run a focused ‘critical leadership skills programme’ was a direct result of poor leadership-attribute scores. To date, over 350 leaders have been trained on critical behaviours.

***Leadership actions or inactions set the tone for a company’s culture***

### ***Getting leadership buy-in***

Leadership and culture are the crosshairs that enable competitive advantage. An engaged culture, one that is marked by high levels of employee involvement, drives performance – not the other way around. Leaders set the tone for company culture through their actions and decisions. Conversely, poor leadership can reinforce the wrong values and behaviours, thereby shaping a corrosive culture. In order to get their buy-in, BASF identified 50 leaders and took them for an intensive, two-day offsite workshop where they collectively built a framework for cultural transformation.

***A good reward and recognition framework is crucial to driving the right behaviour...***

### ***Inculcating the right behaviours***

In 2014, BASF launched ‘LEAP’ – a co-created behaviour-based cultural transformation initiative to emphasise the right leadership attributes and drive operational excellence and customer centricity. It set up a LEAP committee led by volunteers from different ranks and functions. Ultimately, having a committee of volunteers to drive change was the first big transformation in energising the organisation.

***...but defining and communicating this is essential, too***

Crucially, the committee clearly defined LEAP behaviours for each role, and communicated them to the broader organisation. Employees were constantly assessed and measured against these identified behaviours, which helped create role models. For instance, leaders were expected to engage in difficult conversations early and often, and to not only invite feedback from the team, but also *act* on it. Managers were expected to accelerate decision-making and to say ‘No’ to mediocrity. A renewed focus on customer centricity was built around a mandate of responding to customer requests within 48 hours, and of meeting customers frequently. To extend its reach all the way downwards, BASF rolled out LEAP rewards and recognition programme for leaders, managers and team members.

***Self-awareness and internal drive are key factors***

### ***Embracing a culture of continuous improvement***

Providing leaders with broad-based learning experiences creates a diverse pool of talent that can effectively tackle future challenges. On their part, leaders need to be *self-aware* of their skill gaps and

*self-driven* to hone the required skills. In 2016, BASF created a 12-member ‘Apex Council’ with a mission to sustain its ongoing cultural transformation. The council meets every month to take stock of enterprise-wide issues, ensure alignment between the organisation’s purpose and performance, and recommend any course-correction steps. One important outcome was an overhaul of the performance-management system, which moved away from the bell curve to a more structured approach. This reinforced a culture of excellence, one with no tolerance for mediocrity.

***Results: tangible, and significant***

***Embracing a culture of continuous improvement***

***A jump in sales, profits, and market-share***

Already, BASF India has seen very significant, tangible outcomes from this programme. Between 2015 and 2017, it recorded a big increase in sales volumes, profit and market share, and now ranks among the Group’s top-three businesses in Asia. Attrition has dropped to 7.5%, from 10.5%, and the *quality* of its leadership has improved markedly. (Indicatively, over 100 LEAP award nominations are received each year.) Finally, BASF’s India operations was recognised as being among the Group’s most efficient and energised.

*The contents of this paper are based on discussions of The India CHRO Forum in Mumbai and Bangalore with Dr Raman Ramachandran, Chairman and Managing Director of BASF India, over November and December 2018. The views expressed may not be those of IMA India. Please visit [www.ima-india.com](http://www.ima-india.com) to view current papers and our full archive of content in the IMA members’ Knowledge Centre. IMA Forum members have personalised website access codes.*