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Context to the nugget

Suresh talks about the trade-off between long-term considerations like consumer trust and the short-term cash flow pressures. He specifically talks about the considerations that went into them proactively destroying about 35000 tonnes of food (that was arguably of good quality). He also breaks down what it takes create a climate where the people under the take the right decisions even when under duress.

Transcription

Deepak Jayaraman (DJ): And the other thing in these situations I am curious about is the notion of judgement and doing the right thing I am a big fan of this professor into Harvard called Joseph Badaracco and he talks about this point that early on in career people have to choose between right and wrong but leadership is often about choosing right versus right, so for example 35,000 tons of perfectly edible food and possibly arguably good quality food to burn it, it's a tough business decision so talk to us about how you think about doing the right thing, where do you get your sense of judgement in these situations?

Suresh Narayanan (SN): I must say that the decision to take back and pull the stocks back from the market was taken by our global CEO, he was the one who was here and I think he took absolutely the right decision and he took it from a very simple perspective, he said consumer trust has been dented, when a consumer trust is dented there is no point in me going and saying that look I am perfect, I would rather retreat and say take the thing back, vindicate myself and then come back, rather than trying to go around and saying no this is actually fine, this is actually perfect please eat it. The fact of the matter is that more than 90% of the consumers knew then as they know now that there was nothing wrong with the product, they were consuming it for 25, 30 years and generations have been brought up on Maggi so nothing has happened to anybody but anyway that was the call that taken I think in such situations Deepak what is really important and that's a call of leadership, you could get different ideas from people, my belief is has always been listen to it very carefully, the key task of leadership in a difficult situation is listening, not talking. The problem is we tend to talk more than we listen, sometimes I reflect on it and I realize that I am doing more talking than listening but in a crisis situation listen, you will get different ideas flowing in, some of it will make sense, some of it may not make sense, ultimately it is for the leader to distil it and ensure that the bugs stops at his door, so I have always told my team, look I welcome the suggestions, we will craft the plan together, we will decide on who's accountable for what? If it does not work, it is me and I will take the rap for it two things happened, one you get the best ideas on the table and two your people will die for you because they know that if the rap happens, you are going to be the guy who is going to take the rap and not them. So there is also a certain moral obligation, if you told me Deepak that look Suresh even if you give a third rate interview it is me who is responsible for third

rate interview and not you I will have a certain moral obligations to say I will not allow Deepak to do that why should this poor fellow get rammed because of my stupidity so I will try and do the best that I can, so I think some of these very simple kind of way in which we treat, I always call it the Nestle Family and the reason why call it the Nestle Family is because our relationships are like family, we spent 12 to 16 hours in this office, I spend less time with my wife than I spend in this office. So for me, people around me here are like members of my family and since the culture of Nestle is very particular on dignity and respect for people it works well.

Reflections from Deepak Jayaraman

DJ: The big takeaway for me was the point around Balance Sheet versus P&L. In this instance, Consumer Trust is a Balance Sheet item and that had been dented. There was no point in protecting the cash flows by trying to monetize the 35000 tonnes of stock in this context. Am sure this was not an easy decision and was a tough call.

Even as a Consultant at McKinsey and EgonZehnder, I have come across several points in time where there was a trade-off between Balance Sheet and P&L and I find that the distinctive trusted advisors always over-indexed on the Balance sheet as compared to the P&L. That's not to say that you give into every ask of the client to keep the relationship but you clearly watch out for the health of the relationship and if you hit a point where you have to choose between the relationship and the transaction, you lean towards strengthening the relationship, if you are building an institution that stands the test of time.

The other thing that struck me was also around how you create a climate of psychological safety so that the people around you do the right thing. In a large organization, this often leads to CYA behaviour that once again comes in the way of doing the right thing for the organization. If this is a topic of interest, you might like to read up on an article on Project Aristotle, a study to discover what differentiated the great teams at Google from the Average teams.

Thank you for listening. If you are new to the podcast and want to get a sense of the nature of content that is covered, you might want to go to YouTube and type "PlaytoPotential Highlights from 2017". I have tried to capture the key takeaways from my various conversations last year with leaders across disciplines. From people such as Zia Mody, Nandan Nilekani, Viswanathan Anand, Vijay Amritraj, Amish Tripathi, Vinita Bali and the like.

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End of nugget transcription

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stakeholders around you. In addition, the playlist has nuggets that discuss how one creates a climate for the people around you to exercise good judgment. You can access the playlist [here](#).

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Suresh Narayanan - Nuggets

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About Deepak Jayaraman

Deepak seeks to unlock human potential of senior executive's / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work [here](#).

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