

Case Study

Yaga Consulting Paying the Price of Principled Leadership?†

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In an age of growing competition, management is much spoken about as planning and implementing strategy for "business growth". However, there are rare breed of leaders who view management as being uniquely rooted and firmly grounded in "principled leadership". Yaga Consulting Pvt. Ltd. (YCPL), impelled by the founder's unique and profound vision of being knowledge-driven not-for-profit alone venture, committed to self-actualization and social impact, has surely built a brand for itself as a model for sustained commitment to principled leadership. Having known for executing great projects for reputed organizations in several countries, it could have all set to become a premier commercial consulting corporation in India. At the heart of being rooted in such unique vision lie certain fundamental difficulties. Has it sacrificed its quantitative growth by being different? In a growing commercial business world, is it pragmatic to be less commercial and shunning direct marketing? How is it going to attract the high caliber human resources? How will it accomplish the challenging tasks ahead without offering competitive financial incentives? Does YCPL as a brand, its uniqueness and knowledge, dependent on the promoter's life span? Is there a new path that can be chartered to grow it as a true business leveraging on its strengths without sacrificing values and principles?

INTRODUCTION

It was a hot summer day on June 23, 2005. Prof. YRK Reddy (YRK), a renowned academician, was warmly delivering the 4th Foundation Day lecture of the National HRD Network on "Management Education—New Challenges for HRM" in Hyderabad, India. The audience comprised of management students, teachers, and practitioners. YRK glanced at the

audience, and called for some serious thought. "Management education is receiving its worst bashing ever...it is time for management professionals to stop being aristocratic, mistaking their calling to be a high-level-high-paying science." The audience eagerly listened. "How do we make that happen?", a senior HR manager in the audience asked. YRK responded patiently, "To begin with, management students should be taught to view

† This research was funded by Simmons College School of Management through Swahnberg-Novotny grant; GLOBE (Global Leadership & Organizational Behavior Effectiveness) Research and Educational Foundation of Wharton School, through a grant from National Science Foundation of the US; and by Dhruva College of Management, Hyderabad through its research grant.

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management more as a vocation and focus on the practice of management, where it happens, at the common decision level—and with dedication to values.” He paused, and continued, “I urge the National HRD Network to commission a serious study and research on what is required to make management education more relevant to the current operating demands.”

One of the members in the audience was Prof. S Pratap Reddy (SPR), Chairman and Founder, Dhruva College of Management, Hyderabad, India, ranked as one of the highly reputed among the approved business schools in the state of Andhra Pradesh. SPR had a keen sense of interest in bringing about a positive change through management education. He had extensively studied principled leaders who led through practice. SPR made a note to obtain an appointment with YRK to learn more about the parameters and challenges to make management education more practical and relevant. He wished to know how YRK through his own venture YCPL had implemented the principled leadership to demonstrate a personal and sustained commitment to what he had meant during the course of his talk.

YRK'S BACKGROUND

YRK, recognized nationally and internationally as a pioneer in strategic HR and corporate governance, had an interesting career, spanning academic, consulting and industrial world.

After a postgraduate degree in personnel management and industrial relations from the Andhra University, YRK joined DCM-Shriram Group of

Industries as Executive Trainee in 1973. Within 18 months, YRK switched to academics with an appointment at ASCI, a prestigious management institute for practicing managers and public officials. On a fellowship, he studied further for an MBA at the Leeds University in 1976 with Finance as an elective, and later completed his Ph.D. from the Andhra University in India on econometric analysis of strike activity.

During his initial stint in academics, YRK was recognized for innovative training tools and role-plays. His passion made an indelible impact particularly on trade union leaders for whom he ran courses titled “Effective Trade Union Management”. During these early days, YRK had also published extensively in *Indian Management*, *Indian Journal of Industrial Relations*, *ASCI Journal of Management*, *Economic Times*, and in *Long Range Planning*, UK. His publications continued throughout his career with seven books, edited and written, over 80 papers and about 150 Columns. The first of his books, published by Wiley Eastern was in Strategic HRM and the latest, published by Tata McGraw-Hill was on Corporate Governance in Banking and Finance.

In 1982, Coromandel Fertilizers Ltd. (at that time controlled by Chevron Chemical Corporation and IMC, USA), that had a key role in India's green revolution, headhunted him to head the Management Development function at the corporate level for both its Fertilizer as well as the forthcoming Cement Divisions. YRK was shortly given further responsibilities relating to

all staff matters, and designated as General Manager, Development and Planning, reporting to the Managing Director.

After nine years, when the Chevron was planning to sell its stake in the company, YRK went on a sabbatical on a prestigious Visiting Fellowship to the London School of Economics (only six awardees normally every year from round the world). Coming to know of his intention to get back to academics, he was invited by his earlier employer, ASCI, to take up the ONGC Chair Professorship and Chairmanship of the HR Area in 1990 when he was 40 years old. In 1994, just as he was named Dean of ASCI, he was approached by a group of US-based entrepreneurs to start and head a Venture Capital Company and was also requested by a new generation bank to help in conceptualizing its HR Strategy and installing its key systems, policies and procedures. He accepted the latter as a unique challenge, declining the Deanship, with the understanding that he would work on the task for a minimum period of two years and a maximum of three years—as he wished to pursue his long cherished ambition of an independent practice.

BIRTH OF YAGA CONSULTING

As charted out early enough, YRK left all employment in 1996 and set up YCPL as a “boutique” consulting in strategy and HR fields—such boutiques were unknown in India, while this was an already existing concept in the US. He had intrinsic interests for research and a desire for practice combining his multiple specializations and

multidisciplinary approaches—he was by then a specialist in Strategy as well as HR and also had deep interests in economics and public policy. He realized that an IT-interfaced research-intensive consulting service would satisfy his thirst for executive inclinations coupled with academic orientation. YRK was endowed with multiple skills and expertise. His persistent focus enabled him to acquire depth in each area before moving to the next. In his words, there was great joy in “growing laterally”. Indeed, his fortnightly Columns for the *Financial Express*, a leading business daily in India, are called “Lateral Point”.

The name, ‘Yaga’, connoted a movement from the physical to the spiritual, through gradual sacrifice and elimination of negative energies and cultivation of positive energies. The logo was fashioned after the term “*Aufheben*” that was used by Hegel to roughly mean “Elevate, Transform and Transcend”. YCPL would be a place where the people—both employees as well as clients—will elevate themselves to higher states. The vision was to make YCPL impacting—the goals were on the basis of impacts than revenues.

The vision of YCPL (Exhibit 1) was to be among the India’s first consulting boutiques, operating in a niche market—it aimed at positioning itself for people to use its unique strengths and did not run after business or projects at its own initiative! YCPL believed that revenue flows are a function of its own usefulness and relevance to the society—if people believed they require a solution that needs innovative thinking and unique application of multiple specializations,

Exhibit 1: Value Premise, Yaga Consulting, 1997

Yaga Consulting will be:

- India's first strategy boutique that operates on the premise that what is given away comes back in multiples;
- No solicitations for business;
- Seeking no finance from the public—through either debt or equity; and
- Seeking only understanding and relationships that can feed knowledge—reinforce, expand, and elevate it.

they would indeed come in as clients. YCPL believed that its associates must also be looking for continuous self-development and actualization.

Culture at YCPL was to encourage its associates (both full-time and part-time) to have ownership of the company whenever they wish, to the extent they want, at an assessed value. In 2001, YRK observed, "Eventually the company has to be owned by the people who are going to be with the company, than merely the original equity owners. In fact, in 15 years time, perhaps 100% of this company will be owned by the people who are with this company, rather than by any one individual."

The associates were also expected to develop themselves—through rigorous studies, reading, and research—as a basis for their growth. They were encouraged to commit mistakes, learn by mistakes, and debate, and to have a sense of enjoyment. YRK felt, "If somebody is not enjoying what he/she is doing, then she/he will not pursue her/his goal. So, if a person does not like a particular assignment, she/he has to find out something else." Long-term retention has

not been a policy—employees were encouraged to develop themselves well in a reasonable time and search for better opportunities—average service span of these employees has been about 30 months. On several occasions, YRK actively discussed their career plans and assisted in their placement. Many of its employees have found exciting career opportunities in India and abroad. Two of them had registered for the renowned HR quiz at the NHRD National Conference, 2000 on behalf of YCPL and secured third place competing with majors and multinationals such as Wipro, DRL, Satyam, and Ranbaxy.

At the outset, YCPL was positioned as a research-oriented provider of strategy and HR solutions. YCPL was intended to be primarily a forum for YRK's research-oriented activities.

YCPL DISCOVERS ITS SPACE!

Owing to YRK's experience in manufacturing and banking sectors, YCPL initially wanted to focus on manufacturing, banking and IT sectors. YCPL did not allocate any funds or people for marketing as it intended to secure its clients purely through reputation of YRK and word of mouth.

YCPL pledged to ask each client what it could do that other consulting firms cannot. As a principle, it did not send a competitive bid but offered service only for those who specifically wanted its intervention. Consequently, YCPL got limited assignments—and mostly from IT sector. The first notable work was commissioned by CMC at its own initiative for designing HR frameworks for an IT solution for a major client. Then

came the request from the Standing Conference on Public Enterprises for work relating to Corporate Governance. Soon, Elpitiya Plantations of Aitken Spence Group, Sri Lanka, walked in for a Strategic Plan for turnaround (which became a good case study later). Several requests came from Indian IT firms for employee feedback surveys; design of employee stock option plans, and performance management systems. Ernst and Young, Bahrain, then asked YCPL to lead its team in a major assignment on Strategy.

During the period 1997 to 1999, apart from other minor engagements, YCPL conducted several workshops on employee stock options in India as a measure of sharing the knowledge and impacting the industry. YRK noted, "When stock options were first discussed in India, we knew that adoption of stock options will be an irreversible trend and yet there was no knowledge in the country at large on the background, dynamics, legal, financial and design issues. We knew it is very important for the software and other knowledge-driven firms to understand it. So, we conducted 15 workshops in Mumbai, Delhi, Chennai, Hyderabad, and Bangalore. We had also propagated it for the central public enterprises, trying to impact the policy by a unique model—this did not go through but we are still at it." YCPL's clients for stock option plans, performance systems and employee feedback surveys included national and international companies. Some, headquartered in Singapore and Bahrain, approached YCPL as a last resort after experimenting with big names.

In the meantime, YRK was approached to edit Special Editions of

journals on Corporate Governance and invited to international seminars in London—based on his impressive writings during those initial days when corporate governance was yet to be grasped fully. By that time, YRK had already been serving as Independent Director of Boards including those of Steel Authority of India Limited (SAIL), a steel global major, and InfoTech Enterprises Limited, a high profile, fast-growing firm with presence in several countries. Later, he joined the boards of several others including international ones. *Businessworld* listed YRK as among the leading Independent Directors even as media in India, Bahrain, Sri Lanka, and Bangladesh noted his expertise and the *Wall Street Journal* cited him.

International circles quickly noticed YRK's knowledge of corporate governance and his writings and speeches. In 1999, he was invited by the Commonwealth Secretariat, London, as resource person for its Johannesburg Conference. Several international bodies retained YCPL, including Commonwealth Secretariat, to write policy papers, guidelines, review notes and critiques. YCPL was also commissioned by the ILO to deliver the strategy for the elimination of child labor project. In a unique engagement, YRK was associated as a HR and Institutional Advisor to the Asian Development Bank in Afghanistan for the Ministry of Power in its restructuring program. YRK's and YCPL's work—some briefly and others on a longer scale—spread through several other countries between 1999 and 2005—these included Singapore; Malaysia; Bangladesh; Tanzania; Uganda; Kenya; UK; South Africa; Zambia; Zimbabwe; St. Kitts; Jamaica; USA; Sri Lanka; Bahrain; Papua New Guinea; Maldives; and Thailand.

Arising from his international work, YRK realized that the spread of knowledge on corporate governance and director competence in India was not as high as in other countries. The body of knowledge for corporate governance itself was weak. YCPL instituted angel fund and promoted a Public Trust "Academy of Corporate Governance" (ACG) in 2001 along with the first-ever E-Journal. ACG rendered impacting work including advanced training for the SEDF-The World Bank Group; director certification programs for the SCOPE New Delhi; Best Practice manuals; National Conferences for promoting corporate governance in banking, non-banking finance companies, and cooperative banks. ACG gained global recognition as a "Think Tank" on corporate governance, linked to multilateral bodies and rendering impressive work in several countries. *BizEd*, a publication of the Association to Advance Collegiate Education in Business (AACSB—the US-based business school accreditation body) listed YRK as among the global leaders in corporate governance. In an open meet of the Commonwealth, YRK was thanked for providing the intellectual capital for the subject promoting the interests of the developing world—ACG is closely linked to the Global Corporate Governance Forum, Commonwealth Secretariat, ICGN-London and other bodies on frontier matters relating to corporate governance.

The Ministry of Company Affairs, Government of India sought YRK's advice while forming the National Foundation for Corporate Governance, and in its interface with the World Bank Group in its Report on Observance of Standards & Codes. YRK and YCPL were also associated with Subcommittees of the Planning Commission and Administrative Reforms.

True to its goals to impact society, YCPL in association with other Non-governmental Organizations (NGOs), founded and supported the "Forum for Policy Promotion", a network devoted to advocacy and debate on important public policies. The forum attracted many Ministers, academicians and public policy specialists, who debated and recommended policy reforms in varied areas such as privatization; reforms in higher education; World Trade Organization; empowerment of women; NGO governance; union budgets; administrative reforms; terrorism; corruption; and human rights. Some of its recommendations received ministerial attention and reform.

Arising from one of these conclaves, YCPL felt the need to promote the idea of recognizing intellectual property and protecting it—"if people do not know what an intellectual property is, how will they protect it—leave alone commercialize it?" Soon it supported the founding of "Indian Inventors Initiative"—with Shahid Ali Khan, former Deputy General, WIPO, Geneva and S Narayanan, former Ambassador to WTO as Trustees, with C Narendra, an eminent political journalist from New Delhi as the central point. This body did an impacting work in agribusiness intellectual property that received attention at the highest policy levels.

YCPL also founded the Yaga Foundation to undertake charitable work such as assistance to tribal students; assisting poor rural children with educational material to arrest dropouts; large-scale eye camps including surgeries, spectacles and medicines for the poor; and is now focusing on running youth camps for imparting "meta learning skills".

YCPL developed a reputation for its ability to conceptualize and create mental models with realistic implications. Clients characterized YCPL as having an extraordinary holistic business approach. YCPL had a multidimensional conceptual ability—with deep understanding of business, economics, strategy, human resource and information technology implications. With its multi-skilled total business ability, YCPL could conceptualize and apply techniques from one area into another, such as using economic tools in human resources and information technology. Moreover, YCPL had a distinctive ability to train, cultivated from YRK's academic roots. Research and training became the core competencies of YCPL, much as they were for YRK. That allowed human resources to become the initial business practice of YCPL, followed by corporate governance and strategy.

At the same time, the other bodies that YCPL promoted did not have commercial objectives, but those of impacting, and were essentially self-sustaining with some angel fund from YCPL. The reputation, particularly of ACG, progressed in international circles.

YCPL published several path-breaking reports out of its continual research and knowledge sharing efforts. Its reports on Strategy for Life Insurance Industry, Labor Turnover in Information Technology Industry, Dynamics of Downsizing, and Global Report on Industrial Disruptions, and Principles for Corporate Governance of State-owned Enterprises in India, were hailed as pioneering and well-cited internationally. And, its efforts in bridging gaps for teaching "*Ethics—Whose Business Is It?*", with the support of NHRD Network, were celebrated with the Sony-ICD International Award in 2000.

YCPL developed very unique models for Employee Feedback Surveys; an

internationally recognized expertise in equity-linked plan designs and performance management systems; an unique approach to preparing an actionable and customized strategy action plan; IT-based tools; competence mapping techniques; and HR policy manuals, apart from a slew of frontier global services in corporate governance arena, especially through the ACG.

DECIDING TO GROW

Though YCPL had secured a name for itself and for the other bodies it created, many potential clients characterized it as being aloof and even difficult to deal with—as it did not give competitive bids or often turned away clients if their reputation or mindset was incompatible. Attempts to hire YCPL's services in HR by three major corporate giants were turned down by it. Smaller firms found its services, even if valued, too expensive. The complaints from potential clients emanated from the mismatch between what YCPL postulated as good cultures or goals for an organization, and what yardsticks the management commonly used to measure good performance.

Some stakeholders criticized YCPL for not being focused to expanding its market in HR which had tremendous potential—where YCPL had a unique name. YCPL's name was well in the mind of the HR community as YRK was sought for addressing the important meets of the National HRD Network and also was a columnist for its Newsletter. YRK had also been an active member of the Society for Human Resource Management, USA. While the HR industry as a whole, including outsourcing and placements, grew rapidly in top-line and bottom line, YCPL remained largely stuck. Corporates wondered if these weaknesses were the

impact of YCPL's efforts to build a strong brand name for multifaceted approach rather than much focused or reflected the lack of business thirst and acumen.

In 2003, YRK posed the following questions to a select group of its stakeholders in an impressive communiqué:

- Should we remain a 'boutique'?
- Should we dream of becoming India's best multinational management consulting?
- Should we transform into HR IT organization?

The feedback was mixed. Some potential investors wanted to check if YCPL would look at HR BPO, while others suggested HR supply and placement services. Still others felt that knowledge creation and propagation of the kind YCPL was doing, will not fit well with transaction type of business. One remarked, "If you make a knowledge boutique into productized services company, you can never bring it back again. It will have to be like all else." In the end, YCPL opted for a soft solution of postponing the decision.

LOOKING FORWARD: STATUS QUO, GROWTH OR DEATH?

In 2005, YCPL was growing well in its quality services, yet it did not market its services nor sought to raise funds either through equity from the public or debt—its employees were four in number apart from project-based senior associates and international advisors. It did not have an orientation for getting more and more projects, rather the goal was only to obtain the challenging assignments that will help them contribute towards the passion for self-actualization and creating policy impact. YCPL did not promote its services through presentations at the prospective

client sites, as that was seen as selling and not consistent with the values of the firm. In one case, a client specifically wanted a presentation at its premises in Mumbai for a challenging assignment—YCPL did send a team to make the presentation, as an exception, but along with the travel 'bill' for arranging presentation at the client premises.

When SPR met YRK in the late summer of 2005, YRK observed reflecting on the story of YCPL,

"In the beginning, my own personal strengths were synonymous with this company, because it was an entrepreneurial venture. In many ways, they still are. But over a period of time, I would like to make the brand name of YCPL distinctive in its identity, separate from me. We have the brand name, we have the models, we have the knowledge, we have the research base, and we have tremendous national and international network (see Exhibit 1) that we can easily leverage upon in no time. We probably need a CEO with strong sense of enlarging the spread of our unique services without compromising on our values."

As SPR left YRK's office, several questions raised in his mind:

- Whether YCPL had forgone growth by practicing principled leadership in consulting profession, which indeed is perceived to have no defined codes, principles, or qualms and is equated with the oldest "profession", ranked as among the least credible, and is driven by "soliciting" than as a place to which people come for honest, technical help.
- Whether YCPL made a mistake by not aiming to be a large company particularly leveraging its strengths and the boom in HR outsourcing opportunities? How far has the

Exhibit 1: Profile of Activities of YCPL and Associate Bodies

General Areas of Practice

- Strategic HRM
- Strategic Planning
- Corporate Governance
- Governance

Particular Tools, Specializations

- Equity-linked Plans; Performance Management Systems; Competency Mapping; Employee Feedback Surveys; Organization Design/Restructuring; HR Systems and Manuals.
- Strategic Plans and Training in Strategy.
- Director Training in Corporate Governance; Advanced Training for Directors; Corporate Governance Assessment Methodologies; Best Practice Manuals; Policy Papers; Advisory Services.
- Influencing through public debate, meetings and policy papers.

Countries

Afghanistan; Bahrain; Bangladesh; India; Jamaica; Kenya; Malaysia; Maldives; Papua New Guinea; Singapore; South Africa; Sri Lanka; St. Kitts; Tanzania; Thailand; Uganda; UK; USA; Zambia; Zimbabwe.

Sectors

Manufacturing; Banking, Insurance & Finance; Regulatory Bodies; ICT; Government.

- company foregone growth by remaining a boutique, aiming at “impacts” than revenue, and not soliciting business, but operating like a “specialist surgery”.
- Going by its current status of just four employees and a select list of clients can we call YCPL a success at all? What truly is the worth of its soft assets including the international networks?
- There were many specialist surgeries in the West, such as the medical community at the famed Harley Street (www.harleystreet.com) in London, which do not aim to become corporate

hospitals. Further, about 95% of all registered companies in the developed markets themselves remain unlisted and some are even delisting. Do SMEs which do not have great growth aspirations but fulfill many needs of the society failure?

- Should all legal entities be valued by financials, growth numbers? Who should determine the success parameters and what should they be?
- Given its current strengths, what future path could be charted out for YCPL? If such a growth did not happen soon enough, would YCPL survive after YRK, who at 56 is not in his prime?