

CEO

INDIA

JUNE 2014 • VOLUME 3 • ISSUE 4 • ₹200

INSIDE 



Soulful And Stunning
Mosques From Around The World



Coveted Coupé
A Vision In Blue From Rolls-Royce



Scenic Swank
Castle Retreat In The Austrian Alps



Panono Panoramic Camera
How To Have A Ball While Taking Photos



Santrupt B Misra
CEO, Carbon Black Business & Director,
Group Human Resources, Aditya Birla Group

Unified Strength

INSIGHT SPEEDING THROUGH INNOVATION'S FIRST MILE



INDIA

INTERVIEW

44

The Power Of One

Aditya Birla Group's Birla Carbon is the world's largest producer and supplier of carbon black. Its CEO Santrupt B Misra talks about how the global company is capturing synergies of its carbon black businesses across geographies to create value and gain competitive advantage





PHOTO: MANOJ PATIL

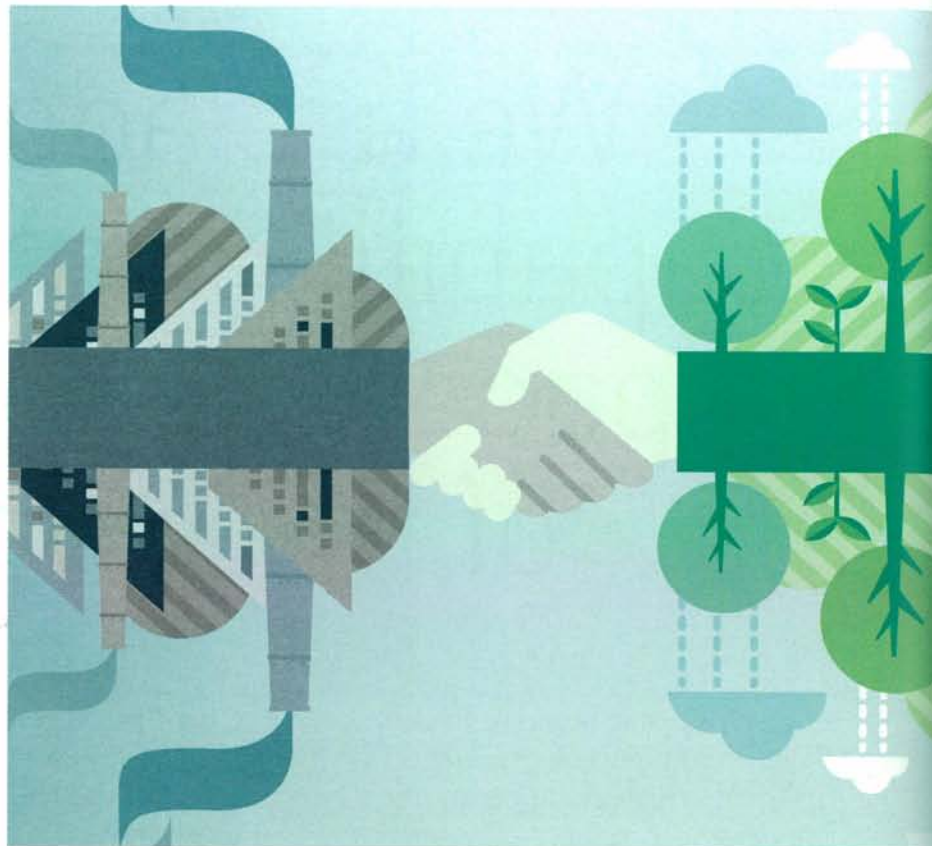
“We are adding capabilities at a fast pace in all parts of the world”

In 2011, Kumar Mangalam Birla of the Aditya Birla Group acquired the world's third-largest carbon black producer, the US-based Columbian Chemicals Company, for \$875 million. The acquisition, at one stroke, doubled the group's carbon black production capacity to 2 million tonnes and made it the world's largest producer and supplier of the carbon additive widely used in manufacturing tyres. The Columbian deal expanded Aditya Birla Group's carbon black footprint to North and South America and Europe; until then it had its carbon black interests spread across four companies in India, Egypt, Thailand and China. Soon after, the group decided to integrate its global carbon black business under a common umbrella, which led to the formation of Birla Carbon. The move created an organisational structure that helped Birla Carbon cut costs and take advantage of its global leadership position in the business. Under the new structure, while all Birla Carbon companies operate as separate legal entities, they report to a top management based in India and the US. Says **Santrupt B Misra**, chief executive officer, Birla Carbon: "As 'One Birla Carbon', we have built a global team and an integrated structure that has set up world-class processes, brought about significant yield improvement, and reduced costs through improvement projects." Birla Carbon today has manufacturing presence in the key markets of Asia, Europe and the Americas — its current footprint extends across 12 countries with 17 manufacturing facilities. Its customers include leading brands and companies across tyres, rubbers, plastics, inks and paints industries globally. Research and development is a big focus area for the company; it has two state-of-the-art technology centres at Marietta, Georgia (US) and Taloja, Maharashtra, and well-equipped laboratories across all its manufacturing units. Mishra, who heads all Birla Carbon companies and is also director at Group Human Resources, Aditya Birla Group, spoke to *CEO India* on his strategy to grow the carbon black business, intense Chinese competition, growing demand, the group's sustainability drive and a range of other topics.

How has business been for Birla Carbon for the past couple of years? What have been the key highlights?

The global economic environment, coupled with the advent of China as a dominant source of both carbon black as well as tyres, has made the business environment extremely competitive and challenging. Weak economic indicators in some key markets have led to lower demand for automobiles. India is a case in point. This has added to the complex competitive conditions. Globally, in many markets, there have been disruptions due to various geo-political reasons, for instance, in Egypt and Thailand. Natural disasters like the floods in Thailand and tsunami in Japan have also been affecting us. Every sensitive geo-political development, such as the Ukraine crisis, has implications for our business. The carbon black business has had to deal with currency fluctuations in Brazil and intense price competition in Asia. However, we have seen demand coming back in the US, inching up in Europe in recent months, and oil prices being more stable in the last several quarters.

Our biggest achievement in the recent past has been the acquisition and successful integration of Columbian Chemicals. This has spawned the largest carbon black business in the world. While price competition has led to increased commoditisation of carbon black, our focus has been to differentiate ourselves primarily through innovation, quality, service and deep customer engagement. As "One Birla Carbon", we have built a global team and an integrated structure that has set up world-class processes, brought about significant yield improvement, and reduced costs through improvement projects. Alongside, we have heightened awareness and global action on safety, health and environment in our 17 plants and facilities in 14 countries. Sustainability has emerged as a key agenda with



specific time-bound goals. It is being driven with great urgency and a sense of purpose across our organisation.

What has been Birla Carbon's broad strategy for growth and what are your visions and plans for the company?

Birla Carbon's vision is to be "the most respected, sustainable and dynamic global carbon black business".

We seek to be the most preferred supplier to our customers and gain respect from all other stakeholders, including partners, communities, government, competition and the industry as a whole. Our sustainability vision entails responsible and sustainable operations that contribute to both the preservation of the planet and responsible use of scarce resources such as water. We have laid special emphasis on areas such as our values and code of conduct, talent, performance management, risk management (given our global nature), energy, carbon footprint, and of course, R&D. To be a dynamic business, bringing in new products, technologies and processes that have both business value and learning value for our people

is an ongoing endeavour that helps us remain an innovative and productive organisation.

Our efforts and the broad growth strategy centres around these three pillars. We plan to utilise our existing capacities to the fullest in the respective regions and selectively explore greenfield or brownfield expansions where we see a long-term advantage. We hope to grow in markets such as China where we have a negligible presence today. We are adding capabilities at a fast pace in all parts of the world to be able to support our customers everywhere they operate. We are also evaluating diversification into related product segments like silica. Customer engagement through technical collaboration and superior service is an integral part of our growth strategy.

The government has regulations on emissions which must have an impact on plant efficiency and competitiveness. What has been your strategy around these environmental concerns? Could you elaborate on your principle of sustainable development?

Yes, environment- and emissions-related regulations are getting stringent in almost every country that we operate in. Contrary to the common perception, these regulations are even more stringent in some of the emerging markets than in some of the developed markets. With respect to our commitment to sustainable growth, we have made great strides in yield improvement to reduce CO₂ emission. Similarly, we are increasingly sourcing feedstock from local markets to shorten our supply chain. Almost all our plants have "zero water discharge" outside our premises. We have been investing into Flu Gas Desulphurisation technology to reduce sulphur emission from our operations. Such forward looking investments do have a definite cost impact, both in terms of capital investment and operating costs, leading to reduced competitiveness. But that is our commitment to our stakeholders. However, we simultaneously focus upon plant wise energy conservation and monetisation, cost-saving projects, utilising alternate

We have built a global team and an integrated structure that has set up world-class processes and brought about significant yield and cost improvements

feedstock for better yield, conserving energy, minimising waste and similar efforts that render us more efficient.

We do not approach competitiveness as a "price/cost only" issue. We focus on process and product quality to ensure that our customers are willing to pay us some premium. We continuously work on developing and commercialising ultra-high performance grades that differentiate us and command a premium wherever possible. Our global footprint provides our customers with a unique supply security that works in our favour.

Environment concerns and regulations are a reality that we have to live with and it is only through continuous improvement and innovations, no matter how small, that we can remain a credible and sustainable player.

In line with the Aditya Birla Group's philosophy, sustainability is the guiding principle for doing business globally, for Birla Carbon as well. It is key to our growth strategy and at the heart of our operations. We ensure



that our business is as efficient as possible across every level to drive sustainable growth. Our industry currently faces a lot of challenges — be it compliances, supply continuity to customers, attracting and retaining talent, entering and expanding new markets and so on. The only way to respond to these diverse challenges is to operate responsibly and sustainably. Sustainable operational excellence is central to our approach.

Birla Carbon has invested heavily in technology and development centres in Marietta in the US and Mumbai in India, indicating a huge focus on R&D. What technological advancements can one expect in this industry?

As I said, one of the elements of our vision is to be dynamic. The pursuit of dynamism requires that we are always at the cutting edge of technology and that we add value to our customers and our operations. While at one level the fundamentals of carbon black technology have not changed for over 50 years, most carbon black players have worked on refining and improving

the technology in their own way. The erstwhile Columbian Chemicals that we acquired has been one such organisation and that is why it was a very attractive acquisition target for us.

In this industry, there are three or four drivers of technology: demand to meet environment standards, cost of feedstock, customer needs for better products that deliver unique performance value, and so on. If you take the example of our key customers, the tyre makers, they seek to produce tyres that drive fuel efficiency, increase the lifespan of the end product, and meet tyre labelling requirements of some markets such as Europe. Similarly, in other applications like mechanical rubber goods and specialty applications like inks, paints, plastics and coatings, we strive for advancements that help achieve the desired characteristics and properties in a more efficient and effective manner at the same or lower cost.

Our technology projects focus on short-, medium- and long-term deliverables. Beyond this, it will be incorrect for me to share more

at this stage.

In 2011, Birla Carbon acquired Columbian Chemicals, making it the largest carbon black company in the world. Has the integration helped achieve the objectives intended? Will we see more activity in the mergers and acquisitions (M&A) area?

I believe the integration of Birla Carbon is a case study in itself. I am personally very proud of it and the credit goes to all my colleagues who so ably led it and also engaged in it. We have successfully brought in the envisaged synergy benefits and are building upon them on an ongoing basis. Yield improvements, energy benefits, deeper access to markets and a strong portfolio of specialty products are just some of the areas where we have achieved commendable success in a short span of time.

The industry saw a wave of consolidation three years back and, like any industry, M&A activity here as well is driven by a set of unique considerations. While it is fairly consolidated in the rest of the world, China is a totally different ball game given the fragmented nature of the carbon black industry there. While on the face of it, opportunities for further consolidation seem limited, one never knows when an opportunity knocks!

December 2011 saw unification of all carbon black businesses under one umbrella with a new structure and new management team. How has this transition from disparate regional presence to a global leadership position been? How have you circumvented geographical and communication challenges?

The transition has been full of new challenges, experiences and discoveries, as we learnt through the journey over the last three years. It has also been an exhilarating experience. This transition transformed us in many ways. With our stature as the global leader in the industry, it brought about more responsibility. With global spread, it brought on more diversity and risks. With many expert minds coming together, it brought about the best of industry know-how and



opened up new opportunities. We were competitors in some markets and that meant presenting a common face to the same customers and doing so rapidly, avoiding market confusion. We created global account managers for each of our large global customers.

For a truly global organisation, geographical spread is a given, where operations run across time zones and information sharing and decision-making happen in real time. Birla Carbon created this unique concept of globally distributed headquarters from the twin cities of Mumbai and Marietta. The COO sits in Marietta and I sit in Mumbai. Our key leaders are distributed in both these places. This unique experiment has worked quite well for us so far.

Since my role in the Aditya Birla Group has many dimensions, we created a combination of the CEO and the COO structure where the COO is supported by five regional presidents and functional CXOs. We put together this new organisation structure within six months of the acquisition, thus avoiding the prolonged uncertainty about the roles and individuals. This group, also known as the senior management team (the SMT Group), formally meets every quarter to discuss, debate, deliberate, ideate and decide as a single unit on a predefined agenda consisting of the present issues and the future strategic calls. At a more granular level, a global weekly video call happens every Monday chaired by the COO that ensures updates, information sharing and discussions. I travel to the regions and plants periodically to stay in touch with the people and developments.

Often, on strategic projects we have teams consisting of functional as well as regional leaders that help bring in various perspectives and experiences, making the working efficient and effective. It also helps enhance the teamwork that is so crucial and breaks cultural barriers through sheer people-to-people contact. Increasingly, we use multi-lingual translation for key documents and initiatives where people involvement is important, recognising that not all speak English in a global company. That said, we



Our industry is facing a lot of challenges – be it compliances, supply continuity to customers, or entering new markets. The only way to respond to these is to operate responsibly and sustainably

do encourage our people to be more proficient in English.

I personally practice seamless and transparency in their true spirit and advocate the same across my senior management team and further down the organisation. This has enabled me to overcome potential distractions that can always be caused by the newness of the whole situation.

Birla Carbon has tried to be a part of local communities from vocational schools in Thailand to sanitary facilities in Egypt. What is your broader CSR philosophy?

Corporate social responsibility has been a part of the Aditya Birla Group's functioning from its inception, much before it became a buzzword. All the businesses of the Aditya Birla Group follow the same philosophy irrespective of which part of the world they are operating in. Only, the immediate needs and the issues of the respective region influence the target objective and the execution. While sanitation and basic health care might be an area of concern in one country, support to a local university for



research and development in cleaner technologies might be an important need in another country. We go beyond cheque book philanthropy and strive to create sustainable livelihoods. Each plant plays an active role towards this aspect by ensuring the best relationships with the communities around.

At the group level, our CSR projects are carried out under the aegis of the "Aditya Birla Centre for Community Initiatives and Rural Development" led by Mrs Rajashree Birla. The projects are need based and evolve in an inclusive manner. Our focus is on the holistic development of the communities around the plant, partnering with various government bodies and local authorities as well as global organisations like WHO, Bill & Melinda Gates Foundation, Habitat for Humanity, the European Union, British Council, Global Compact network, FICCI, Nabard, CARE, the International Rotary Club, and many more. We always try to work with local community organisations, addressing local needs through local resources and do it in a manner that it builds

empowerment in local communities to sustain these projects on their own. This has been our philosophy.

Your company recently pledged \$250,000 to a new research programme in Kennesaw State University which underscores your commitment to supporting scientific research. What are some other external initiatives that you are focusing on in this field?

We are a capability-centric business where we focus on our people and technical capability. The Aditya Birla Group has a long history of closely being associated with academic institutions. In India, the Carbon Black business has worked with IIT Chennai and similarly, we have worked with universities in Thailand. Kennesaw State University enjoys a great reputation in its field and produces strong technical talent. We realised that several of our employees in Marietta had either graduated from there or had done continuing education courses. It seemed natural to deepen our relationship

and collaboration with them since they are in our neighbourhood. Such collaboration is also a way for us to give back to society and its institutions from which we benefit.

I believe that in the carbon black industry some of the exciting areas to focus upon with specific initiatives are energy conservation and production, waste and water management, emissions, developing diverse feedstock, recycling and more efficient process technology. We will keep exploring areas of mutual interest from time to time with similar institutions based on our needs and their expertise.

You have recently added capacity to your plant in Spain with an eye on the European market. What is the growth potential of this market and what is your competitive position? Are European regulations a challenge?

We have not actually expanded capacity in Spain yet but have taken the necessary approvals to do so. We keep making improvements and de-bottlenecking in plants as and when possible. While the current business scenario in Europe remains challenging, we hope to capitalise on market improvement as and when it happens.

Given the European labelling provisions which I alluded to earlier, the European customers are constantly looking for better products from us. Similarly, the European environment norms also have been one of the most stringent. We look upon these as challenges and an opportunity to prove our credentials to our customers and gain more credibility. We continuously upgrade our technology so that our customers do not look upon us as simply a provider of value for money on the product, but one that is well-aligned to their needs in terms of superior product performance. So our positioning is one of a solution provider and a partner rather than a simple low-priced supplier.

Birla Carbon has also collaborated with Smithers Rapra to bring Carbon Black World 2014 to Europe. How well do these networking events work to bring clients and suppliers together in the industry?

As the largest carbon black player, Birla Carbon also has to play the role of an industry leader. Unless the industry as a whole grows and remains strong, individual entities cannot flourish. At the same time, anti-trust issues and related regulations and protocols need to be respected. Thus, a platform to bring the whole industry together along with players in the ecosystem (that is, the suppliers, equipment manufacturers, service providers and customers) seems meaningful to us.

The world of carbon black, including the various entities connected with it, is not very big relative to some other industries, for instance, the automobile industry. This platform thus serves as a useful means for exchange of ideas, sharing success stories and knowledge. It gives the suppliers also a cost-effective forum to market their equipment and new technology through exhibitions. Competitors collaborating with suppliers and others for a larger cause that does not violate the spirit of law is in everyone's interest. I believe that environment technology improvement can benefit immensely from such a collaboration rather than scarce resources getting wasted by

Competitors collaborating with suppliers and others for a larger cause is in everyone's interest. Environment technology improvement can benefit a lot from such a collaboration

each one individually trying to solve their problems.

With your head of group human resources hat on, how has your people philosophy evolved over your transition to being a global leader?

More than being a global leader, it is the business responsibility that has given me a different orientation to human resources. It has helped me to more sharply and quickly combine the business and people aspect of issues. I have learnt to now give more consideration to the views of the operating managers and their pain points. It has strengthened my belief about the role of communication by leaders and the role of employee engagement in creating a culture of innovation and continuous improvement. I also perhaps evaluate HR initiatives more from a business contribution point of view.

I now interact with leaders from different parts of the world (also from customer and supplier organisations) and experience the diversity of perspectives they bring to the table. I find examples of thoughtful challenge and at the same time individuals with the power of few words. Then there are individuals always looking out for innovation, building deeper relationships, going to the core, having an unbreakable sense of humour or speaking out as the lone voice of dissent. This experience has shaped my perspective on talent development and how exposure to other cultures and diverse leadership can create a distinct development value.

In addition, the global experience has enabled me to look into things from these diverse perspectives and go much deeper before coming to a conclusion. I believe that different situations and people require different lenses. However, irrespective of all the diversity, if the individuals across the globe are able to understand, respect and truly follow a common set of values and beliefs then they can actually become an exceptional team and deliver exceptional results. I believe in harnessing this diversity through various internal surveys with individual responses from the senior leaders on various aspects of the business.





PHOTO: MANOJ PATIL

Personal Memo

A day in your life...

It depends on what day we are talking about: a day on travel, work day or a holiday. A typical day when I am in Mumbai starts with some exercise if I am not feeling lazy (which I feel most of the days); then glance through 8 to 9 newspapers with the focus on a few; a quick breakfast and to office. On my way to office, always a phone call to my parents. I am usually in office between 9 and 9:30 a.m. A full day of work with a 20 minute lunch break. I leave office between 7-7:30 pm unless I have to go to some function outside. Dinner by about 8:30-9 pm, followed by news, some TV watching, some light reading, last few desperate emails so that they do not haunt me the whole night! Sometimes have FaceTime or speak with my children who are abroad.

How do you prepare for an important business meeting?

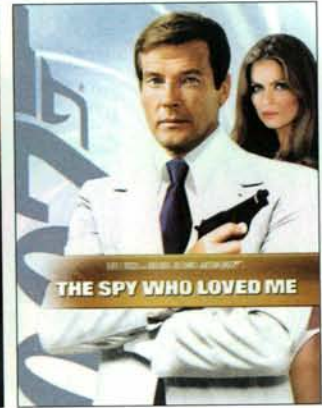
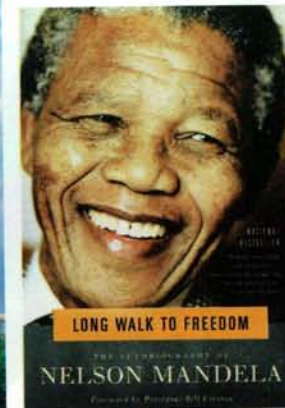
I first read the relevant papers and then discuss with my colleagues concerned about what we are trying to achieve and what has been the status so far. I also discuss the risks or areas to avoid. I familiarise myself with our position, our arguments, look for weaknesses in our logic and how to work on these. I also try to know more about the people I am meeting, in case they are outsiders.

The best way to hand out pink slips...

There is no one best way to do it. This is not the most pleasant experience in the best of times and even with someone who deserves it the most. I believe that forthrightness with empathy is the ideal way to deal with such issues. One must avoid getting into a discussion around fairness of such decisions as one can never have a finality on this aspect. It may be important to offer some career search and counselling service to ease the trauma and not leave the person by himself.

How do you motivate your staff?

I believe you cannot motivate anyone unless they are self-motivated. I, of course, do the



usual i.e. write a note of appreciation, buy a gift on milestone occasions and the like.

Five interesting things in your office...

A picture of my daughter and me, a beautiful frame of my daughter and my son when they were young; many deities; many trophies; a picture of mine with Prof Amartya Sen; a painting of Lord Buddha by my daughter; a Brass OM sign with my name on it.

How do you unwind?

Watch movies, read a novel, spend time with family and friends.

Your favourite holiday destination...

Maldives, Mauritius, Paris. I love the sea and the elegance of Paris.

What is your greatest indulgence?

My children and their well being.

Are you fond of collecting anything?

I used to collect stamps and now I collect awards! *CEO India* magazine too gave me an award.

Your kind of books...

Mostly autobiographies and memoirs like that of Mahatma Gandhi, Nelson Mandela, John F Kennedy...

Music...

Indian instrumental, ghazals, Kishore Kumar and Rafi.

Cinema...

I like war and spy movies and also thrillers — *The Bridge on the River Kwai* and *The Spy Who Loved Me*.

Actors...

Clint Eastwood, Robert De Niro, Amitabh Bachchan, Julia Roberts.

Cars...

I drive fast. So I like cars that have a fast pick up.

Cuisine...

Thai, Chinese, sea food.

Your ultimate watch would be... Which one is on your wrist at the moment?

I have a few watches. I love the one Mr Birla gifted me after we acquired Columbian Chemicals as it symbolises a well-earned recognition than simply buying something.

Any CMD or CEO you admire and why...

I admire different CEOs for different reasons. I admire my chairman, Mr Birla, for his calm approach to everything that he does. I admired one-time Pepsi CEO Roger Enrico for his personal leadership in building top team effectiveness.

Brands and designers you're fond of...

I use several branded products e.g. Canali suits, Boss ties, etc. I am not fixated about brands. I find brand fixation a sign of insecurity.