

## Humanistic Management in Practice

Edited by Ernst Von Kimakowitz, Michael Pirson, Heiko Spitzeck, Claus Dierksmeier and Wolfgang Amann

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*Humanistic Management in Practice* is a collection of business cases from all corners of the globe, in a variety of industries and sizes. What unites this group of businesses is that all of them are highly successful market actors in a competitive environment and yet they consider their ultimate raison d'être as the generation of societal benefit rather than maximum profit. These companies are managed as an integrated and responsive part of society and complement theoretical arguments on a humanistic management approach with proof of concept. They demonstrate that managerial freedom includes the option to align social purpose and business success.

Humanistic management has a profoundly liberating effect on a company by putting people first and integrating the desire to generate benefits for all stakeholders into managerial decision making. Consequently, internal as well as external stakeholders can derive meaning and find purpose in a company's activities that create value for society, making them loyal customers, engaged employees, long-term-oriented investors and collaborative civil society stakeholders. True business leadership proves that business success and societal benefit generation can go hand in hand.

With this book The Humanistic Management Network presents convincing evidence of businesses that stand out by showing that it is not only possible for companies to earn healthy profits when putting people first, but that those who do, deliver outstanding results to their owners and to society.

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# 11

## The Best Inputs for Maximizing Your Output: Humanistic Practices at Micromatic Grinding

*Rakesh Kumar Agrawal*

It's not easy being difficult. Difficult to please. Difficult to compromise. Difficult to persuade. Sometimes indeed, difficult to do business with. And at all times very difficult to find fault with. Yes it is always difficult for us. Taking the easy way out, compromising here, adjusting there is always tempting but we've chosen never to take the short cut.

Poster in a meeting room at Micromatic Grinding

Mr N. K. Dhand, the managing director of Micromatic Grinding Technologies Ltd (MGT), looked up pensively as the clock struck four in his small cabin. In another half an hour, he would be in a "No-Agenda" meeting with some of his employees. It was called a no-agenda meeting because that is exactly what it was. Anyone was free to share anything in the meeting, be it complaints about the flavor of the tea being served in the company's premises, a philosophy about life and love, the vision of the organization, or fears of recession. The MD would be listening, and sometimes sharing his views with some 10-15 officers and workers, many of whom had joined only a few months ago.

As he thought about the meeting, his thoughts went back to his early struggles in establishing and building an enterprise based on certain principles – principles that he thought should be the basis of any organization. Times had been very difficult, but he had never believed in short cuts – short cuts in delivering quality, short cuts in complying with government regulations, or short cuts in dealing with his people. His personal spiritual discipline had taught him the power of personal integrity, respect for work, and respect for people – values which were reflected in



the humanistic management style at Micromatic Grinding. A humanistic approach – which affirms the dignity and worth of people – cannot work if there is no genuineness of intent and action, genuineness that can only be ensured by following certain ethical principles and values—principles that are self-evident but often neglected in practice. At MGT, this manifested itself through a practical emphasis on ethics, an emphasis

**VISION**

**Global Leadership in**  
**World Class**  
High Technology

**GRINDING**  
**MACHINE**

**CREATING CUSTOMER DELIGHT BY**

**Self-Motivated Team**  
**Members in Harmony with**  
**the Environment & Society.**

**OUR TARGET**

**BE A GLOBAL LEADER**  
**ANNUAL PRODUCTION 500 MACHNIES BY 2010.**

**Micromatic Grinding**  
TECHNOLOGIES LTD. **The best input for maximizng your output**

**Becoming the Best**

SPELLAC@SATYAM.NET.IN

Exhibit 11.1 Vision of MGT



on sensitivity towards employees and other people whom the company came into contact with, and an emphasis on service to society.

Yet Mr Dhand knew that it was not only humanistic principles that had made his organization successful. He had also stressed "Being the

*Exhibit 11.2* MGT's mission

**MISSION**

**We will**

**Meet customer expectations by**

Establishing a center for high technology, TPM friendly & aesthetically designed reliable machines

On - time delivery

Effective sales & service network for exports & domestic marketing

Quick response

**Improve Personal Quality through**

Developing positive attitude & motivating colleagues for co-operation and team work

Understanding and satisfying internal customer needs

Creating tension free & enjoyable work place environment

Improving our quality of life & living standards

Performance evaluation system

**Continuously train and retrain ourselves by**

Acquiring multiple skills to enable anyone accomplish as many different tasks as possible

Improving workmanship to make zero defect machines

Up-grading our competence for higher productivity

Making 'Paperless' working through IT

**Offer machines & services at competitive prices by**

Implementing costing system to reduce input costs, inventory & operating expenses

Eliminating non-value added work, wastage, rejections, & rework

Reducing cycle time through jigs / fixtures & standardization

**Improve Product Quality through**

Consistency in workmanship and output quality

Standardization of assembly processes

Quality & reliability' process

**Adopt process - based working for**

Doing everything "Right First Time"

Improving internal systems by 5 'S', Suggestion scheme, KANBAN etc.

**Establish effective Vendor Partnering through**

Supporting them to improve quality, cost and delivery

Long term relationships with vendors and suppliers as co-creators of value

**Commitment to Society**

Work towards improving the community around us keeping environment in mind.



Best" – best in terms of quality and best in terms of customer satisfaction. He knew that without a professional approach the company would not have reached its position as the number one machine tools company in India (see Exhibits 11.1 and 11.2 for MGT's vision and mission statements).

### **A history of Micromatic Grinding**

In 1973, two engineer entrepreneurs, N. K. Dhand and V. S. Goindi, set up a partnership firm under the name of Micromatic Machines. While N. K. Dhand had a bachelor's degree in mechanical engineering from the University of California, Berkeley, V. S. Goindi was a machine tool design engineer belonging to a family with strong Gandhian beliefs. Both belonged to families who had run their modest trading businesses quite ethically and so wished to start their enterprise in an ethical manner.

The company began as a modest tool room or job shop for the engineering industry at Ghaziabad, an upcoming industrial town in the outskirts of Delhi, the capital of India. Yet its aim was to get into the manufacturing of machine tools. It produced its first precision cylindrical grinding machine in November 1977. In 1979, its cylindrical grinder won two first prizes at the International Machine Tool Exhibition – IMTEX – in Mumbai, one for the best design and the other for the best product.

In 1982, the partnership firm was converted into a private limited company with a new name, "Parishudh Sadhan Yantra Pvt. Ltd." The company's product range expanded over the years to cover a range of high-tech cylindrical grinders. Its domestic market share also increased to almost 30 percent and registered a turnover of Rs 24 million in 1990. A new company – Parishudh Machines Pvt. Ltd – was formed in 1987 as a prelude to planned independence, which came into effect on April 1, 1990. The two companies finally split vertically to allow each company to grow in its chosen line and manner.

In fact, the way the split was managed is quite interesting. One of the partners was assigned the task of division into two equal halves, and the condition was that the other partner would choose which half he wanted to have. Since the person dividing the assets was not going to be the chooser, he had the unenviable task of ensuring not only that both the halves were really equal in all respects, but also that neither half lacked any important inputs.<sup>1</sup> The split resulted in two independent companies: Parishudh Machines Pvt. Ltd, the new company headed



Exhibit 11.3 Highlights in the growth of MGT

Year	Sales (Rs Million)	Net profit after tax (Rs Million)	Employee Strength (nos.)	New products introduced
1986-1987	11.9	0.3	72	First CNC Cylindrical Grinder
1987-1988	17.6	0.5	85	
1988-1989	20	0.8	98	
1989-1990	23.8	0.8	110	Centreless Grinding Machine
1990-1991	30.2	1.2	117	
1992-1993	41.8	1.5	126	
1993-1994	47.3	2.6	131	Stroke and length match grinding machine for fuel injection parts
1994-1995	58.9	4	138	Heavy-duty cylindrical grinding machine
1995-1996	96.7	6.5	145	Piston ring profile grinding machine
2002-2003	187.3	15.9	189	Low-cost high-performance CNC grinder model "ecotech 650"
2003-2004	198.1	15.1	191	Internal grinder with auto indexing turret I grind 450
2004-2005	341.7	34.2	193	Heavy-duty CNC cylindrical grinder model "h-GRIND 360"
2005-2006	413.7	46.1	204	Joint new product development project, viz. Small "Cam Lobe Grinder" with JTEKT (Toyoda) - Japan
2006-2007	521.9	53.7	217	Universal Grinder FLEXI 65 and Crankshaft Journal Grinder RHINO 80
2007-2008	412.1	34.6	240	
2008-2009*	437.4	18	236	(Started a new plant in Bangalore, India in November 2008)

Note: \* Provisional and unaudited.

Source: Company records.



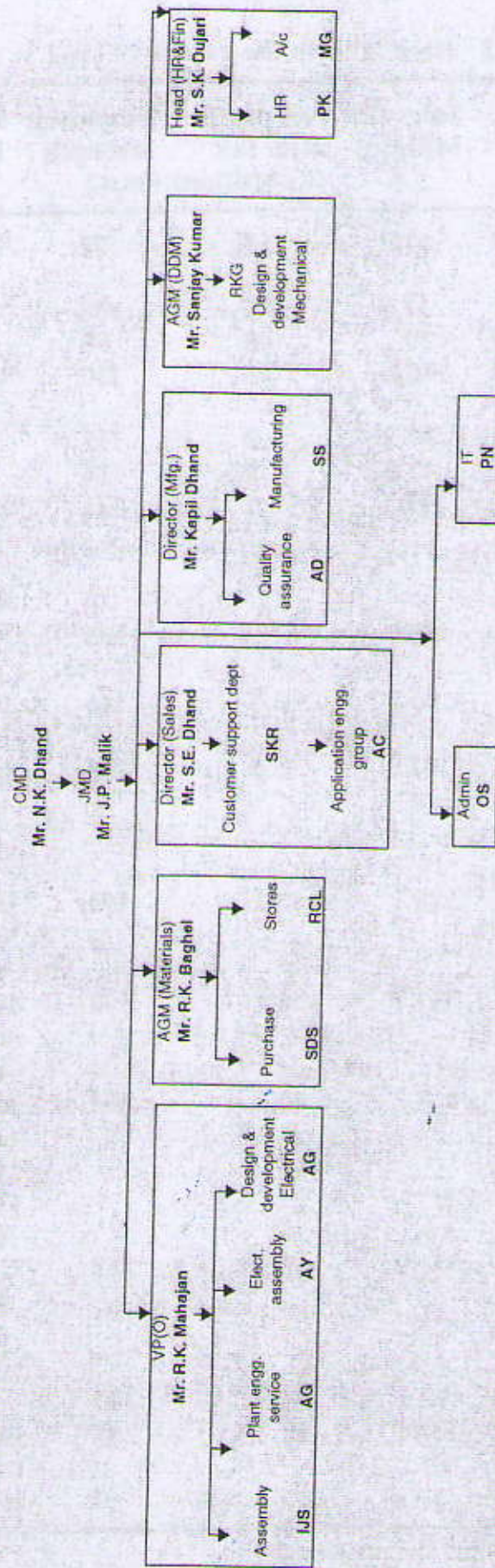


Exhibit 11.4 Organizational structure of MGT



by V. S. Goindi, and Parishudh Sadhan Yantra Pvt. Ltd, the original company headed by N. K. Dhand.

On July 1, 1997, Parishudh Sadhan Yantra Pvt. Ltd became a deemed public company, and it was rechristened as Micromatic Grinding Technologies Ltd. MGT has continued to expand and grow ever since and has attained market leadership in India (ahead of the other company). It currently manufactures a wide range of CNC cylindrical grinders, precision hydraulic grinders and special purpose grinding machines, capturing 40 percent of the market share in India in the cylindrical grinders segment. Its clients include some of the top companies, such as Hero Honda, Yamaha, Mahindra and Mahindra, Bajaj Auto, Tata Motors, Suzuki, Honda, Toyota, and Indian Railways, among others. It has distributor arrangements in Switzerland, Australia, the USA, the UAE, and China. Recently, it has entered into a Joint Venture arrangement with JTEKT Corporation, Japan, for sales and service of Toyoda machines in India, the new JV being named Toyoda Micromatic Machinery India Ltd.<sup>2</sup> Running its operations from three plants, the company now has 236 permanent employees on its rolls, as well as 150 temporary employees. In the financial year 2008, the company's profit after tax stood at Rs 34.6 million. Exhibit 11.3 gives a brief summary of the growth of MGT, while its organizational structure is depicted in Exhibit 11.4.

MGT has formed an unstructured group with five other like-minded companies, creating the largest machine tool group in India, called AceMicromatic Group. There are six companies in total in the group now: Ace Designers Ltd, Bangalore; Ace Manufacturing Systems Ltd, Bangalore; Pioneer Computing Technologies Ltd, Bangalore; Pragati Automation Ltd, Bangalore; Micromatic Grinding Technologies Ltd at Ghaziabad and Bangalore; and the sixth, Micromatic Machine Tools (MMT), the joint marketing company of the group based at New Delhi with offices located all over India (also promoted jointly by Mr Dhand in 1980). MMT is the largest machine tool marketing company in India, with total group sales of approximately Rs 5.5 billion in 2007, and run on similar ethical and humanistic lines.

### **The philosophy of management**

The purpose of business has always been to generate wealth for the promoters, employees and shareholders – and a passionate pursuit of growth ensures that the business objectives are met. However, the preoccupation with growth at times tends to push other elements into the background and as long as the ends are good, the means



appear justified. It is our firm belief that wealth earned by unethical means invariably entails the utmost exertion, fear, anxiety, and many times delusion and grief. (N. K. Dhand)<sup>3</sup>

The results of blindly pursuing growth and wealth creation are visible in the current economic meltdown and the consequent hardships brought to many in the world by the financial industry. (N. K. Dhand, in a personal interview with the author)

These remarks of Mr Dhand aptly sum up the management philosophy at Micromatic Grinding. At the foundation of the core values of MGT is the commitment to ethical business practices with a people focus – both within and outside the organization (Figure 11.1). While many organizations concentrate on and even advertise the external superstructures of the business, such as products, technology, customers, and profits, without working on the basic principles, MGT has been careful not to ignore the base of ethics and humanism. Without either neglecting or getting caught up in the superstructures, the company has put a lot of energy into building and protecting the foundations on which the superstructures are built. In practice, these foundations have five arms: honesty, integrity, equity, fairness, and justice – cultured through

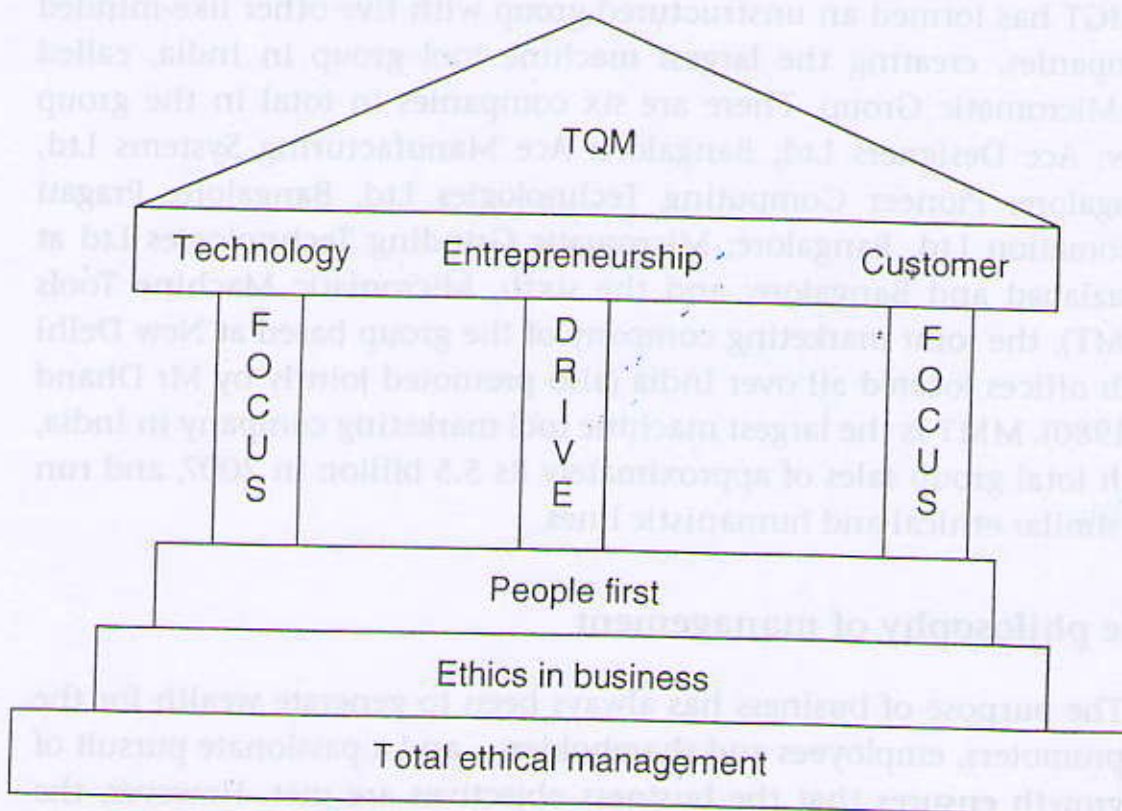


Figure 11.1 Management philosophy at Micromatic Grinding



**Exhibit 11.5** Organizational values of Micromatic Grinding

**Organizational values**

We are bound by...

- Respect for team members and all stakeholders,
- Ethical and selfless behavior,
- Hardworking, teamwork, honesty, integrity, humility, and positive attitude of people,
- Excellence and speed in everything we do,
- Process based working
- Clear, timely, open, and transparent communication,
- Timely appreciation and recognitions,
- Continuous improvement, enhancement of knowledge, skills competencies, and self development,
- Clarity of roles, responsibilities and accountability,
- Involvement of people in decision making,
- Customer driven innovation to delight customers,
- Vendor partnering.

humility in leadership, the outcome of which is trust. While these values were not stated explicitly earlier in the organization's manual, they have emerged naturally from the leadership style and management philosophy at MGT.

Exhibit 11.5 lists the organizational values at MGT. While it is easy to claim that an organization is bound by certain values, it is an altogether different story to live by them and make them an integral part of an organization. At Micromatic, practicing these values is the norm rather than the exception.

**The practices**

**"Honesty" in operations**

Honesty in the financial workings of the company is the most visible and important aspect of MGT's business. The company does not generate or distribute any money through unethical means. In its formative years the company faced many moral and ethical predicaments, which haunt the people in MGT even today. But, for the company, sticking to its principled stand was more important than paying some fast money to get work done, although it proved quite costly at times. For example, the company has scrupulously maintained only one set of accounts as a firm policy. They never pad their expenses. They have



never over-invoiced purchases or sales. Sometimes, they have even lost valuable orders from customers, mostly government organizations, for this very reason.<sup>4</sup>

There are many instances in its history when the easy way out seemed rationally justified, but, as a business organization, MGT has chosen to be guided strictly by the core values and the principles of ethics in business, walking the talk even at times when its very survival was dependent on conforming to convenient action. For example, the company chose not to have a power connection from the Electricity Board in a plant built in 1997, chiefly because it was very difficult to get the sanction and the power connection without paying extra money to officials (in fact, it was almost as expensive as generating power from one's own installed diesel generators). Due to the increase in diesel prices during the last 10 years, however, MGT decided to apply for a power connection in 2007. It took more than 20 months to get the connection as the company chose not to compromise its values.

In another case, there was a delay of over 18 months in getting Rs 2 million from the office of the Joint Chief Controller of Imports and Exports for the Cash Compensatory Support due to the company for the Rs 10 million worth of exports they had made to the UK in 1991–1992. During the delay MGT officials made numerous representations, frequently in person, to explain their principled stand to all officials concerned. Others told them that they were impractical, not to say foolish, to allow this delay while paying 24 percent overdraft interest to the banks. The company persevered, and their strong belief in their values and practices was able to see them through.

In 1998 the company acquired a plot of land for expansion purposes. Normally, all such deals have two payment components. Since MGT maintains only one set of accounts, it chose to pay an additional Rs 2 million towards capital gains tax on behalf of the seller.

There were other difficulties too. A policeman once came to arrest them with a non-bailable warrant for petty mistakes, such as not displaying the "holiday list" or "timings of shifts," because a certain disgruntled factory inspector had taken the case to court. MGT officials showed patience and persistence till good sense prevailed.

During the initial years, facing such situations required the moral and emotional support of others. The company was fortunate to have the additional support and guidance of a few like-minded companies and people. Dr Jagmohan Garg of Garg Associates and Mr Sudhir Mittal of Sukruti Vidyut Udyog, Ghaziabad, both promoters of industrial units nearby, sometimes physically accompanied Mr Dhand or MGT officials



to make joint representations to the authorities, where they underlined the genuineness of the cases and MGT's viewpoint.

Application of the same principles can be seen in MGT's dealings with customers, who are assured of quality products delivered on time, and with suppliers, who believe that MGT will make all payments on time.

### **"Integrity" in communication**

The company has always maintained a policy of free communication with the employees from the topmost to all lower levels. Whether it is happy news about a prestigious order, or bad news about postponement of payment of bonus due to cash flow problems, there is always direct communication. Internal communication is not restricted to fixed formal channels but is encouraged to be free and open. Upward communication is encouraged through active listening.

Work Samiti and Staff Committee Meetings (group meetings) are held every 2 to 3 months, at which every employee, down to the lowest level (a carefully designed representation method uses rotation to ensure participation by all), is encouraged to attend. People are free to bring up any issues (except salaries!), including any new projects being planned or launched. Every employee is free to raise objections.

Whenever there is an important point to be conveyed, whether it is good or bad news, the top management gathers everyone informally on the shop floor and puts the news across. This has been institutionalized since 1990 in the form of a 'General Meeting' on the second Monday of every month. All the department heads, besides the MD, communicate in a free atmosphere, sharing all the important news, developments, and happenings, both inside and outside the company.

The process of culture-building has been given a renewed thrust through a 1-hour "No Agenda" meeting of eight to 10 people, held at intervals with the MD, in which employees can initiate and "talk about any topic on their mind." These are "Truth" and "Self-awareness" sessions. The statements are recorded on a panaboard (in Hindi if required), and afterwards a copy is distributed to all. Employees express their sentiments about a range of issues, including their own reflections about life, process improvements that are required in some unit, how to achieve teamwork, and even the bad smell of the tea being served! See Exhibit 11.6 for one such record.

In fact, at MGT, encouraging every individual to communicate freely and openly is recognized as an effective way of showing respect for individuals. In addition, it avoids all the troubles related to inevitable loss



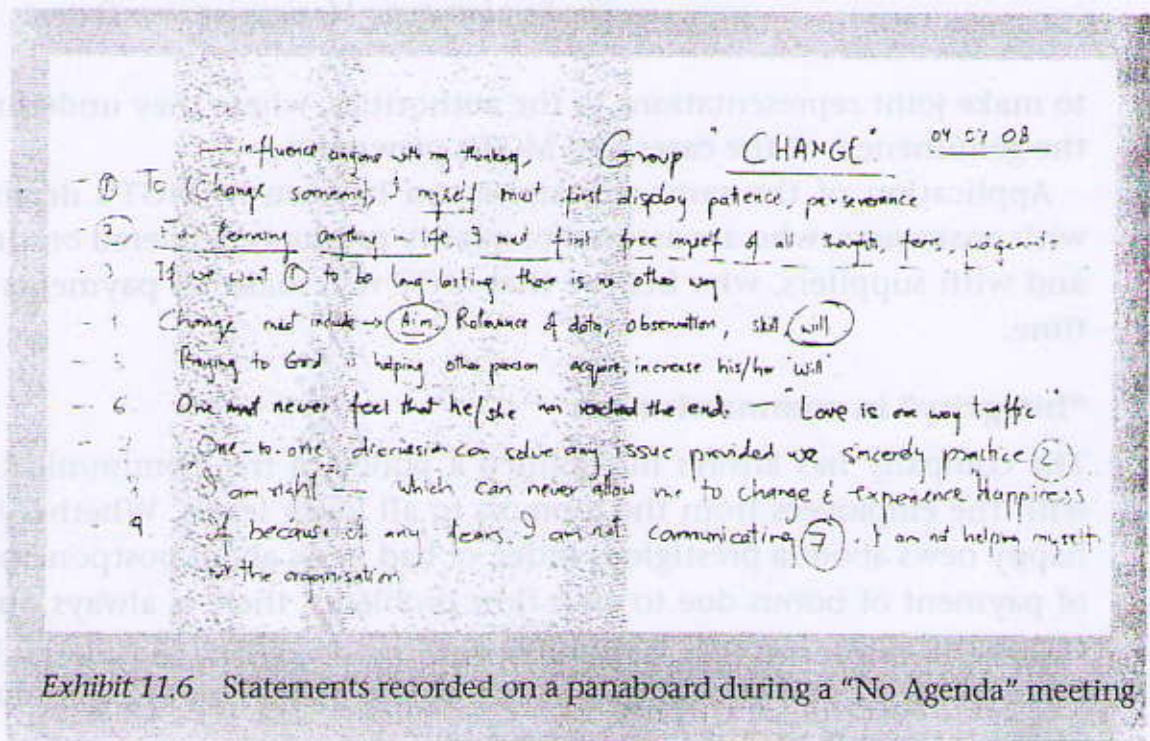


Exhibit 11.6 Statements recorded on a panaboard during a "No Agenda" meeting.

of communication down the line, which often result in distortion of the facts and unfortunate interpretations at all levels. It also provides a *personal touch*, which the MD believes is most vital for important matters such as reinforcing the value system of the company. Of course, it puts a direct responsibility on the top management to "Tell It, As It Is."<sup>5</sup>

This integrity in communication is also the hallmark of interaction with outsiders, especially government departments, where the company persists in its stance of no bribes or graft money and chooses to spend time explaining its position to these bodies until the message sinks in.

### "Equity" through respect

Perhaps the most important aspect in developing the culture at MGT has been to treat every person in the company as an individual who must be respected, irrespective of the nature of the work he does in the company. The respect factor is not in direct proportion to the individual's position in the hierarchy. Everyone has the right to express himself, and it is the duty of all seniors to listen to him. The person at the lowest level, if not satisfied with his immediate supervisor, can go to the highest level and enjoys the "right to be heard."<sup>6</sup>

The culture of honesty and respect has had its positive fallout in a culture of caring. On one occasion, the sister of a contract worker needed a blood transfusion after an accident. Scores of volunteers responded to a simple appeal. This was later openly appreciated, reinforcing the values



emphasized by the company. Such genuine appreciation is another way of showing respect. Words of praise and appreciation are not withheld, and neither are rewards, giving a boost to people's sense of self-worth. And these are not isolated incidents. Respect and care for one another is a norm at MGT.

For example, 25 years ago, Mr Anil Agarwal, a young engineer in the design department, was trying to make ammonia prints. The bottle burst, ammonia entered his eyes, and he lost his eyesight. While many companies terminate the services of such employees after treatment, MGT sponsored his treatment for more than 10 years. Mr Agarwal still continues to work with MGT in the stores department.

Mr Amit Gupta, a senior engineer at MGT, notes the sense of caring that percolates down from the top to all levels. When the highest levels show so much care for others, both verbally and non-verbally, it is unlikely that others will not follow suit. In his opinion, this pro-individual approach has led to a higher degree of cooperation and lower levels of frustration than are prevalent in other companies.<sup>7</sup>

#### **"Fairness" in sharing success**

With the cost of living going up every day, we must appreciate and do whatever best possible to distribute the profits generated amongst the employees, who have contributed significantly in bringing those profits in the first place. I am sad to say that so much emphasis is laid upon dividend paid to the shareholders, but hardly any reference is made to the profits shared with the employees. (N. K. Dhand)<sup>8</sup>

Entrepreneurs' expectations of their employees often differ from their expectations of an owner when they were employees – they forget what it is like to be an employee. They tend to believe that success has been achieved solely due to their own efforts, forgetting the hard work put in by other colleagues and employees. At MGT, the management believes in fairness in sharing success with the employees.

So when success comes, as it so often does in an organization like MGT, the rewards are not confined to a chosen few. Micromatic Grinding has maintained an average level of 15–25 percent of net profits to be distributed among the employees as incentives and other benefits. This is in addition to the regular 20 percent bonus granted in recognition of the fact that profits are generated through teamwork. MGT has designed a scheme whereby a percentage of income beyond a certain limit (revised at the beginning of every financial year) is shared with the employees. To illustrate, in the coming year, 1 percent of the turnover beyond



Rs 380 million is to be distributed amongst the employees. This will be enhanced to 2 percent if the turnover exceeds Rs 420 million. While the share of bonuses and profits is linked to salary, the maximum salary for calculating an individual's share is also pegged (currently at Rs 0.12 million per annum). A significant portion, therefore, is distributed at the lower end of the hierarchy.

### **"Justice" to professionals and society**

As well as fair sharing of success and encouraging free, frank, and open communication, Micromatic undertakes a number of initiatives that help in building a just society, both within and outside the organization.

### *"Professionalism" vs. "Family hierarchy"*

In India, a potential area of friction in most family-held companies, both small and large-scale, presents itself when the next generation takes over at the helm, passing over the professionals who have helped to build up the enterprise. It is natural for the professionals to feel dejected, when, notwithstanding their competence, they see no chance of attaining top positions. MGT has clearly announced that this will not be its policy.<sup>9</sup> This has helped to maintain high professional standards in the company. Merit, performance, ethics, integrity, and honesty are the key recognition parameters for career advancement. Although both sons of Mr Dhand work in the organization, Mr J. P. Malik, a professional who joined the organization in 2003, is presently the joint managing director and second in command in the company.

### *Social justice for workers*

Industrial workers in north India are generally, first-generation rural migrants from poor or lower-class backgrounds. Large and public-sector companies provide many welfare facilities for these employees. However, little thought is given by small and medium enterprises (SMEs) to the social needs of their workers, who may find it difficult to cope with day-to-day problems such as timely and proper medical care, housing, school admissions, and so on. The staff and management are better equipped to solve these problems because of their education and social background. Micromatic, while admitting that it cannot solve all their problems, does show genuine interest in assisting these poor workers, guides them towards possible solutions, and also helps them financially, wherever possible,



through well-thought-out schemes. Some of these schemes initiated by MGT are:

- There is a statutory provision in India for 1.75 percent deduction from wages as employees' contribution towards Employees State Insurance (ESI) for medical care, employers' contribution being about three times the amount. However, the reality is that ESI facilities are generally very poor, so no one even wants to visit the ESI dispensary. Irrespective of whether or not the employee is part of ESI, Micromatic provides a medical scheme for all employees, by which 75 percent of the medical expenses are borne by the employer. This scheme is totally voluntary and was started by the company about 30 years ago when there were only 20 employees. MGT also provides additional financial assistance for medical treatment, if required, depending upon the severity of the situation.
- The company offers low-interest housing loans, in addition to vehicle and marriage loans, to all employees on the basis of seniority of service as determined by number of years of service with the company, and not based on the position within the company alone. The amount may be small, but it is very important to the employee. The company views these small gestures as an appreciation of the employee, reflecting an understanding of the grim economic realities faced by employees in the lower-income group.
- Some workmen and technicians are taken on foreign tours to international machine tool exhibitions. This is quite unlike other organizations, where only senior managers and executives have the privilege of going on foreign tours.
- All employees have the opportunity for upward mobility. Many employees join at lower levels because they never had the opportunity to get higher education and training in their early life. The company tries to rectify the situation by offering opportunities for learning and education.<sup>10</sup>

It must be appreciated that these schemes were not initiated in response to demands by the employees in any bargaining process, but were offered voluntarily by the management of MGT. While some of these schemes, such as loans, might be offered in comparative SMEs, they are generally intended to placate the employees and do not result from adherence to a humanistic philosophy of management. Other



schemes, such as medical assistance and foreign travel for workmen, are unique to MGT.

### **"Humility" in leadership**

Many organizations make lofty claims to humanism and a service attitude to society. However, Mr Dhand feels<sup>11</sup> that it is not possible to "walk the talk" in the face of hardships if a person lacks humility – humility that has been cultivated through higher spiritual motivations in life.

One cannot live by principles unless the belief comes from within, for it is what is truly inside that provides the wisdom and power necessary to actually live by the principles. I have focused on cultivating spiritual knowledge and discipline – a practice I have been regularly following since the past 15 years. My conviction is in the principles given in Gita.<sup>12</sup> When one has ahankar,<sup>13</sup> one cannot understand the nuances of humanistic management. Higher goals in life and surrender to universal laws break this ahankar, developing higher qualities of sensitivity, compassion, and lack of a sense of ownership, even while performing one's actions. (Mr N. K. Dhand, in a personal interview with the author)

### **The impact**

And what are the rewards of these practices? Walking the talk of honesty and respect for human beings has enabled the company to win the *trust* of its employees. The relationship has matured into one of mutual faith, the most important asset of the company, which cannot be easily replicated by competition. So now, if the company has a cash flow problem and the employees are informed, they believe the management. In such a trusting atmosphere, there are no industrial relations problems due to employee unrest. This trust has led to other gains, both economic and non-economic.

### **The cool fire of rightsizing**

This trust was put to test at a critical phase of MGT's history, when the company had to resort to rightsizing during a downturn in business (1998–2002). Mr Dhand was initially quite concerned and perplexed about this step, which again was a very painful decision. Yet the trust built up over the years made the process smooth.

The decision on downsizing was not taken by a handful of people behind closed doors; rather, all the employees of MGT were involved



in the process. Continuous, clear, and transparent flow of information about the fortunes of the company was maintained. Detailed information about the company's reduced orders and margins of profit was made available to everyone. Frequent meetings were held to discuss measures being taken to tackle the crisis, at which all could speak up and be heard with respect. Other cost-cutting measures were tried, and their impact was openly discussed. The top 10 people of the company took a 10 percent deduction in their salary as a measure of sacrifice in the greater interest. Finally, when it became clear to the employees that there was no alternative to reduction in staff, stress was laid on sacrifice and a Voluntary Retirement Scheme (VRS) was offered by the company. VRS was regarded as a sacrifice by the individual for the company's long-term viability.

Keeping in tune with the humanistic philosophy of MGT, VRS was handled very sensitively and gradually, and people's reactions, even the emotional and negative ones, were empathically considered. All support and counseling were provided to those leaving, including assistance in finding alternative employment. Guidance was available to those interested in setting up their own private ventures. A number of people were advised to set up subsidiary businesses and assisted in a significant way by being given old machinery at nominal prices. Contracts for services and for supplying parts were given to people who had been laid off. The parting was not like that of a contractual separation; it was parting as friends. MGT kept in touch with the old employees and was still taking an interest in them a few years after the layoff. Even now, relationships between the company and the former employees are maintained. Former employees continue to be invited to MGT functions and to personal events such as weddings.<sup>14</sup>

### **Financial success**

The company has been steadily growing and expanding, and has never seen a loss-making year since its inception. These principles have not only made MGT a profit-making company throughout its entire 35-year history, but have also made it the number one company in its field in India, with nearly 40 percent market share. In fact, MGT is setting up a new plant in Bangalore, as well as another subsidiary company for sheet metal manufacturing in Ghaziabad. The same humanistic principles are being adopted by the directors in charge of these projects, with no interference from the current MD, and they are prepared for the pain and pleasure of sticking to humanistic principles and values in the new projects.



Mr Dhand believes that while ethical principles and humanistic management styles provide the foundation on which everything else rests. Micromatic Grinding, they are not sufficient for the success of a business enterprise. As the business model shows, the role of quality, product development and customer satisfaction cannot be denied. MGT has been awarded a certificate of merit by the National Productivity Council of India, is an ISO 9001 certified company, and has an R&D laboratory certified by the Department of Science, Government of India.

MGT has a strong focus on ensuring a strong value proposition for the customers – approximately 10–15% better value than the nearest competition. (Mr N. K. Dhand, in an interview with the author)

### Efficiencies

MGT's very adherence to principles actually ensures process efficiencies and intangible gains in the long run. Trust between the workers and management, and amongst the workers themselves, is possibly the greatest intangible for any business today. Employees are motivated and want to contribute their best. No man-hours have ever been lost due to agitation or strikes. All these help the managers and workers to focus on production, on R&D, and on customers.

### Employee satisfaction

Over 100 new employees have been recruited in the last 3 years. Although salaries at MGT are lower than those offered by other companies, employees prefer to stay at MGT. The attrition rate in the company is only about 6–7 percent, compared with an average of 12–15 percent in similar industries.

This satisfaction and bonding with the company were evident in the author's interviews with employees. Mr Sanjay Singh, Assistant General Manager (Design), had left the company in late 1990s (for higher pay) but rejoined MGT in 2005, primarily for the family feeling and clarity of working at MGT. In the words of Mr R. A. Yadav, Assistant Manager (Assembly): "*sukh dukh mein sab saath rahte hain* [We are one in times of happiness and distress]." No wonder the employees of MGT have not felt the need to form a trade union.

### External reputation

Despite difficulties in the initial years, by persistently sticking to principles, MGT has built a reputation outside the organization – with customers, with suppliers, and even with the government authorities.



All payments by MGT to suppliers are timely, and if there is any delay the suppliers appreciate that this must be because of some genuine difficulty, and continue their supplies. It is now well known in government offices that MGT will not pay any "facilitation fee," and the word is spread by office bearers. If a new officer comes to a department, he is warned by other employees not to expect anything from MGT, so the work is not delayed as much as previously. Thus, in the long run, the company has saved resources.

### **Coping with the current recession**

MGT has not remained unaffected by the recent recession. Yet in the financial year 2008–9 the company increased its turnover by more than 6 percent and made a profit of Rs 18 million, largely because of orders it had received earlier. The real test will come in the current financial year, as the orders are slowly dwindling. The company has shifted to a 5-day working week since January 2009, and has also made salary cuts at the top level, a strategy which was accepted by all management and staff. The MD personally took a salary cut of 20 percent; the salaries of those in the senior management team were reduced by 10 percent, while other managers' salaries were cut by 5 percent. The workers' salaries have not been touched.

### **A great learning**

However, not all service initiatives have been welcomed. Around 3 years ago, MGT started a solid waste management activity in a few sectors of Raj Nagar, an upmarket colony of Ghaziabad, with the assistance of an NGO, Exnora, from Chennai in south India. Dustbins were provided to residents for separating biodegradable from non-biodegradable waste at source. These were then taken to a separate central facility where the waste was sorted and 90 percent of solid waste sold for recycling. However, the regular sweepers' community from the adjoining Raispur village refused to be involved, as they felt under threat of losing their monthly income. They attacked the rickshaws carrying the waste under the new scheme. It was an important learning for MGT that there is a lack of trust in our society and that such initiatives cannot succeed unless they first work to build up faith, and unless the people affected are assured of a better working life. These sweepers were used to working for only a few hours every day. While some of them would have lost some immediate part-time income, they had been offered full-time employment under the scheme and would have benefited in the long term. Yet they preferred



the old ways of working instead of the normal 8 hours under the new system.

The company has now, therefore, started working on building trust, with the same community from Raispur village, before launching any such new initiatives again. This is being done with the help of an NGO, Gram Niyojana Kendra (GNK), which has sufficient expertise and experience of working in this area. The purpose is to build alternative sources of income for these families before weaning them away from past habits and menial tasks, which have formed their sources of meagre, or no, income until now:

- For example, a tailoring and beautician's course has been started to assist girls and ladies of the community in earning an additional income for the household.
- In November 2008, MGT began, again through GNK, to train people for geriatric care, selecting ladies from the same area. This will enable the trainees to earn up to Rs 5,000 (about USD 100) per month, a significant amount for uneducated middle-aged ladies with no other possible source of earnings to support their families. About 50 of these trainees are already fully employed.

## Conclusions

There have been other companies that have started with similar ethical principles, but have not been as successful. One of the companies started operations at around the same time as MGT. It doggedly stuck to honesty and ethics, but appeared not to care about its employees. Without understanding others and their needs, the owner expected others to accept and follow his values and beliefs in an authoritarian way. Although this company started off well, it lost its market reputation over the course of time. Another company deviated from its ethical practices when the son of the owner-manager started to influence its functioning. This company witnessed many strikes and often had to deal with labor issues. These examples illustrate that ethics should not be treated in isolation from humanistic principles. A dogmatic adherence to ethics is yet another source for developing *ahankar* (false ego) that makes one forget the humanistic purpose of all activities.

In this sense, Mr N. K. Dhand has been a wise and competent leader – a leader who sensibly practiced what he professed. He adopted a holistic style of ethics and humanism to build up the unique culture at



MGT. But questions remain. Will the culture survive after his exit? Will his successor be willing and able to continue along similar lines? Even now, some concerns are being raised about the quality of the new recruits, who have very high aspirations and are not so eager to accept the ethical principles of working. Retention of these recruits has also become an issue, as the market is providing many opportunities. And what about the economic recession? Will the downturn in the economy affect management practices at MGT? Will it affect the future of the company, and, more importantly, the future of its employees? Mr Dhand was aware that the company had not received a single order for CNC machines, which formed the greatest volume of sales, in the last few months.

Most employees are of the opinion that the humanistic approach has become part and parcel of the cultural fabric of MGT. It is more like a habit. The processes at Micromatic Grinding are tuned to preserving the value-based culture. Yet, in interviews with the author, a few employees feel that no successor will be able to reach the maturity levels of Mr N. K. Dhand. They feel comfortable and secure with Mr Dhand, but not with others. However, others say that it would be very difficult, if not impossible, to change the culture of MGT. Any efforts by a successor to change the value system will be met by stiff resistance, for it has become a part of discipline, part of people's behavior. Even if possible, it will take a long time for any significant changes to be visible.

Mr Dhand looked forward to the meeting ahead – another session of free and open exchanges between the MD and the employees. He was not worried – yet concerned – another quality he had developed by virtue of his personal spiritual engagement.

It is important to understand humanistic principles and ethical values in their true spirit!

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## Notes

1. Dhand, 1998.
2. JTEKT Corporation (formerly Toyoda Machine Works) is a \$12 billion machine tool and auto-component manufacturer, and number one cylindrical grinding machine tool builder in the world. It is a rare feat for MGT, one thousandth the size of JTEKT Corporation, to have entered into a joint venture arrangement with this manufacturer.
3. Dhand, 2002, p. 93.
4. Dhand, 1998.
5. Ibid; Sharma, 2007.
6. Dhand, 2002.
7. Sharma, 2007.
8. Dhand, 1998.
9. Dhand, 2002.
10. Dhand, 1998.
11. Such internalizations in the case are based on feelings and beliefs revealed by the respondents during personal interviews with the author.
12. *Bhagavad Gita*, which is the holy text for many Hindus.
13. False sense of ego – wherein one regards oneself as the master and the doer of action, instead of an “instrument” of the Divine.
14. Sharma, 2007.

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The case draws upon personal interviews with the management and employees of Micromatic Grinding Technologies Limited, as well as documents and material provided by MGT. Some of these are referenced below:

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Various brochures and corporate documents of Micromatic Grinding Technologies Ltd.

Website: [www.micromaticgrinding.com](http://www.micromaticgrinding.com)