

You Need to Lead with Passion

Interview with Susantha Ratnayake, Chairman, John Keells Holdings.

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Susantha Ratnayake, Chairman, John Keells Holdings.

Can you tell us when and why you joined JKH?

I joined JKH in '78 as a trainee in Mackinnon's, on the travel side and became a Manager in Mackinnon's Travels on the airline ticketing side. The first company I ran was Mack Air, the airline GSA company in '86, as a Director. Gradually I took over some of the other Transport Sector companies like the freight forwarding side, foreign employment, and shipping, basically the entire transport side. In '92 when John Keells restructured themselves into sectors, I headed the Transport Sector and the Domestic and International Trade Sector. In 1993, I was appointed to the Board and here I am! No particular reason, it was my first attempt at a job, got it and stayed.

Any significant achievements you would like to talk about?

The transport side was a very small business, which was more of an agency type of business. We got together as a team in the transport side and thought that being in the agency type of business was going to be very difficult to sustain as we weren't in control of our own destiny. We were more reliant on our principles and global issues would often affect our business. However well we may do in the local environment, a global issue could affect our operation. We have had issues like the Iraqi invasion of Kuwait when Gulf Air stopped flying. This affected us significantly. We deliberately thought that we should get into businesses where our own destiny could be controlled. That is how ideas for the port etc. were born. That was the turning point in the dreams of what we could be. That was a great turning point in the transportation side and today it has become the single largest business in the Group. From a career perspective, the highlight was the coming into being of SAGT. I learnt a lot through that, both from the perspective of doing a big deal, financing it etc, and also the implementation side of it. Doing a deal is easy, but implementation in this part of the world is not the easiest and that was a huge challenge.

As Joint Managing Director what sector were you responsible for?

As Joint M.D., I looked after the Transport, Infrastructure, Plantations, Hotels, Property, New Business Development, Legal and Group initiatives.

What role will you play now as Chairman/CEO?

The role is two fold. As Chairman, the head of the Board. As the CEO to head the executive committee, in our case the GEC. We have a Group Executive Committee, which is in hierarchical terms, next to the Board, and that team manages the company. I would have direct responsibility only for group strategy and new businesses development.

What would you say as the primary reason for your appointment?

I really do not know. There was a rigorous process. The Board delegated the responsibility to the Nominations Committee and we had to go in front of them. We were grilled on various issues, so in their wisdom, they made a decision. There has to be one head of the company. Ultimately you cannot have joint heads. At the joint MD level you could, but ultimately the buck must stop with one person.

With the baton changed how different would JKH look from now on and what would JKH look like in 5 years?

Our strategies or aspirations do not change with a change of guard. This is a carefully thought out strategy. We have a short, medium and long-term strategy and that is something, which has evolved over a period of time. However this is not cast in stone and will change with the environment. We normally develop the strategy, go to the Board, get that approved and implement it. But what will change is the style of how things are done, because people are different. Honestly, there is no need for a drastic change.

Would you also bring about a culture change?

We introduced a new operating model. What we have tried to do is bring in a performance driven culture, coupled with accountability and a merit based rewards scheme. So it is more a performance driven and accountability led culture. What we have tried to do is empower people right down the line, more than what we have hitherto done. There may be a culture or style change but it will not be a huge shift in style. Our biggest priority and this is nothing new and has been part of our strategy, is to balance our portfolio. We have always believed that diversity is strength. If last year was a normal year; we would have had two large businesses in the leisure and transport side. But the tsunami took that away and we lost the best three months of the year available for tourism, so as a result we have got somewhat lopsided. The transport side is the major part of the Group, but what we have been deliberately trying to do is balance our portfolio so that we would have five or six

businesses, which would contribute an equal proportion, so if something happens to one then the others will pitch in. It is something that we will strive to achieve. Balancing this portfolio is not only from a business point of view but also from a geographic point. 90% of our operations are in Sri Lanka; we are not grumbling about it. There is still opportunity here and we will continue to look at Sri Lanka and invest in Sri Lanka. From a portfolio perspective a geographic balance is also important.

Is it true that JKH is still heavily dependant on the Transport Sector for its profits?

That is not really accurate. We have got some businesses, which are fundamentally very strong. The leisure side is very strong. We now have the scale and that is why we set out to do the branding exercise, which was not something we got up and did yesterday. It was carefully thought out over the last two, three years. We had to get the city hotels right after the acquisitions, and they have come out very well. We now have the scale to build on about 2,100 hotel rooms and to position our hotels in a manner, which could compete with some of the best international brands. We are suffering a temporary set back with the tsunami, but it will come back. The F&B side, again, we had a few problems in the last couple of years, but at the moment it is going extremely well. The retail and manufacturing side are both doing well and we are very bullish about them. The financial services side, although small, is doing extremely well.

We are gradually consolidating and that is what we set out to do with the merger of MLL and TB. The big one is the property side. We, like the traditional companies, have sat on a lot of real estate and not unlocked the value of our real estate base. We had prime property in Colombo being used for soft drink factories, which was crazy! We are unlocking that value and it is a little too early to talk about because it could be sensitive, but there are big plans on the property side. It is important from two aspects, one is unlocking that value of the real estate and secondly to bring in some balance to our portfolio. Monarch has been a tremendous success and that is the first tower we are doing at Crescat City. We are launching the second one and we will start pre-selling that soon. That is called the Emperor and that too is at Crescat City. That is just a start but there are big plans to unlock this huge real estate base we have, especially in the commercial areas. We have already done our real estate strategy and the Board has approved it and the Property Group is now implementing that strategy.

Talking about your predecessors, how different were they in their management styles and how different will you be from them?

Each one had different styles. We were a very small company and we grew through visionary leadership. Especially in the last 12-15 years we have grown exponentially and that is something that I hope to at least match or emulate. Each one was different and most of what I have learnt is from them, and I am not a highly qualified person; I came here out of school and whatever I have learnt has been from watching people around and above me. It is always good to have talented people around you.

Are you autocratic?

No, not at all. John Keells has never been an autocratic organization. We all know where we stand in the hierarchy.

Tell us about shareholder value?

We have constantly delivered superior shareholder returns. Over the last 10-12 years we have had a compounded TSR of around 30% which is unique for lots of companies, especially in Sri Lanka, I do not think anyone has delivered that sort of value consistently. We have continued to do that because it is a part of our strategy. We like to remain quite a broad based company and the only way we can do that is by increasing the value and the size of the company.

Any plans to expand overseas?

In Sri Lanka we have really grown in the past 12-15 years where there have been issues. In the last 10-11 years we have had 12 elections. We have had all sorts of issues, but a huge amount of the growth has come during this period. Some of our big projects have happened during this period. One often looks back and wonders, what makes this happen? Either we are gluttons for punishment or we thrive in chaos. I do not think that we have to ignore Sri Lanka. In developing countries there are tremendous opportunities and big ones at that plus we know the lay of the land, so it is much easier to do it here. But as I said earlier, one of our strategies is not only to balance our portfolio of business but also balance them geographically. That would mean that we would have to go out and that is something we are deliberately doing. One of the focuses of the strategy unit is internationalization. That is not because of a change of government but a part of our strategy when we put the new

operating model in place last year. Opportunities in Sri Lanka are something that we would continue to pursue.

On business leadership; what is your philosophy?

My philosophy is that you have to be able to inspire a vision. You have to believe in it and be able to inspire your people. The second thing is that you have to be passionate about what you do and unless you are passionate about it, you can't carry others with you. I am a firm believer in not complicating issues. I try to think simple. If you try to complicate matters you get into unnecessary complications. You have to also be adaptable to change and John Keells has always adapted to change in whatever form, shape or size. All our past leaders have been able to do that, and that a leader should be able to do. But what is a very important aspect is to be able to see what is coming at you from around the corner and be able to have that feel without only looking at what you can see immediately. Do not take a decision for today, but look at the consequences of it in the medium to long term. Those are some of the leadership qualities one should have.

Engaging your people is a key success factor for talent intensive companies like JKH. How do you keep the fire and the passion alive in your business?

This is something that we realized two years ago and we revamped our HR systems completely. We got an Indian company to work with us for two years and we completely revamped our systems and processes. We even got a process for talent management and retention. The entire process has now got well entrenched. There are people leaving but in the last few years we have had people from abroad to work for John Keells. We have had about four or five senior people coming from abroad to work for us. Due to our internationalization strategy, I would like to see us work with different cultures even locally. India is a big opportunity for us and it would make our life easier if we are used to working with Indians in our own environment. I do not think we should do that at the expense of Sri Lankan jobs, but I am talking about just a handful because it helps. The succession planning, talent management and retention is given priority and every job has to have a back up. The medium and long term people's development plan is monitored by our Group Career Committee, which comprises the GEC, which manages the careers of the top 100 people of the Group. The talent side is also with the GCC for the entire Group at the different levels.

JKH is no longer an employer of choice, what are you doing to attract and retain the best local talent?

One of the problems was our HR systems and processes. We were far behind and that is now well entrenched. We will evolve because we have a very young team. If you take our top 30-40 people the average age is around 40. We have now become a learning organization. In a learning organization like ours everyone must be prepared to learn from and coach anyone. As an organization we are very agile and open to change, it is not that we get up every morning and change what we do. Our people continuously look to see whether we can do things differently and produce better results. I think organizations which offer employees personal development focussed on future needs, as well as career planning processes, are likely to derive benefits from enabling employees to understand really how to manage their own careers.

You talked about a learning organization. Do you believe in coaching and mentoring your key talent?

Mentoring is a key HR process. It is now part of our culture. We are going to start a JK College of Learning, where we will have an external and internal faculty. The concept was developed when we revamped our HR systems. But we wanted the systems and processes to be in place before we rolled out the entire thing. The JK College of Learning will come to being within the next 12-18 months.

If you are recruiting someone at senior level what are the attributes you would look for?

You are not going to be able to figure out much by talking to a person for 90 minutes. You can put him through all sorts of profiles, but ultimately I rely on intuition. It is more intuition than anything else. I think successful managers often have a knack for selecting and attracting talented individuals to their organizations.

On corporate image, any key initiatives?

We have been told that we do a lot but are very bad at telling it. For the first time we came up with a sustainability report, which for a first attempt was a good one. But this is the first time we have really even tried to convey what we have been doing. That may even be the reason why we are not the employer of choice. I think it is because we are performance driven and there is a frenzied drive to do

something better. Our attitude was that we need not talk about it since we knew what we were doing and let other people talk about it. But I feel that this really needs to change especially from a CSR perspective because businesses are being viewed as fat cats and rogues, and I think what we are giving back to the community must be talked about. We have set up a corporate communications unit, which is under one of the executive directors. We need to get that show on the road and there is a conscious effort to do that.

You talked about CSR. Would you like to tell us about some of your initiatives?

The concept of CSR in John Keells was charity, which we have changed. There is a very small component of charity. The CSR effort was fragmented. The different businesses did it separately. For instance the two hotels in Habarana looked after the school, village, temple etc.; someone in Bentota was doing something else. It was all fragmented and that was again one of the reasons why even internally we did not know exactly what was going on, so we pulled the whole thing together. We now have a CSR unit that pulls it together. CSR planning and budgeting is also part of our planning and budgeting cycle. In our planning cycle there is a section on CSR and guidelines are given. We have decided not to hit all over the place. We have decided on health and on health we are doing AIDS and vision. On education we are doing English, and that is working extremely well. We are doing environment from the perspective of helping a village in Habarana. We are also looking at the possibility to develop an eco park like the one in Botswana. We are concentrating on these three aspects. Environment from an internal perspective is also being fast tracked. All EHS studies have been done and they are being implemented. We cannot do everything overnight, but they are being done in a phased manner. Even to bring that sustainability report out, if we had not brought this CSR unit together, it would not have been possible. We have set up the John Keells Responsibility Foundation, which is still awaiting some approvals, but hopefully we should get them one of these days and everything will be channeled through it. CSR is now getting entrenched and is not being handled only at our level. We have got the workers involved and they have done some fantastic things. It now permeates right through the Group.

How diversified is your Group and is there autonomy?

Earlier we had Sectors and now we have Groups. For example we had the Leisure Sector, which was broken into two. I ran the hotels and Ajith ran the inbound. It was

a good thing then but from the perspective of synergies and getting economies of scale etc. it was not the best thing. What we have done is formed a Leisure Group. We now have Groups and within the Groups we have Sectors. We have what is called a Group Management Committee, which comprises the sector heads and functional heads and is chaired by the President of a particular Group. This handles all what the Group Operating Committee did previously. This brings about more empowerment and decentralization and it has also scale. It also gives them the freedom to chart their own destiny, but within overall Group guidelines and parameters. So we have the Transportation Group, the F&B Group, what is left of the Plantation Group, IT Group ,Property Group and a Financial Services Group.

As Chairman you would need to have your sight on the ball, so how would you know what is going on?

We have what is called the Group Executive Committee, which run the entire Group. We have performance reviews etc. with the different businesses on a quarterly basis. Online I can check what the turnover of any company is, what the bottom line of any company is and if they are achieving their KPI's. The systems are very well entrenched as we are people who have grown from within the Group and most of the senior people worked with us for a long time. The new people have brought in new thinking and we have the right balance. We are very comfortable working with each other and it is a nice atmosphere to work in.

The market talk is that you are very strong in execution and can get things done. Is this true?

If you can inspire your people with a clear vision, where you want to get to and how, and you lead with passion, I think everyone will follow you. John Keells has never been an autocratic organization. It has always been run by consensus, but everyone knows where they stand in the hierarchy. Ultimately everyone knows who the boss is and who makes the final call. Sometimes people wonder whether that approach delays decision-making. I think we have got it down to a fine art. Whatever it is everyone knows a decision has to be taken and taken quickly, and if we cannot get consensus, you make that decision within the specified time frames. I am certainly not autocratic; it has never been in the culture of John Keells. We have never had autocratic leaders.

Retention of talent remains a key HR concern; how serious are you about talent management?

The talent management and retention side is being institutionalized. We have rewards and recognition schemes. We have brought in all sorts of rewards and recognition programs, like the Chairman's Awards. Obviously the remuneration structure that we have is also a positive factor. I think the challenge we have is to try to match staff to the type of work they like. This way you will capture their imagination as well as their heart and soul!

Do you do any handcuffing to retain the best and the brightest?

No, not in that sense. We have demonstrated that we can create value for our people by giving opportunities for personal growth and learning. The private provident fund and the share option schemes are some things that have also helped in some ways. As I said earlier the Talent Management and Retention Program is now a key leadership process. Earlier it was ad hoc but now it is done in an organized way.

For good governance do you look at adopting global best practice?

Yes. From a governance perspective we have always been very transparent and I do not think anyone can fault us for that. We are going a little further. We now have more non-executives or independent directors on our Board. Earlier it was fifty-fifty, but we are going into an independent director led Board. These are things we need to do in order to improve. There is a debate as to whether the chairman and the CEO should be one and the same. It was debated internally with the independent directors as well. This Group is diverse and with the diversity comes complexity. Sometimes you really wonder how you manage.. One day you are in the port, then airlines, then DHL. The next minute we are discussing resorts and then property development, you wonder how you stay sane through all this. Given the complexity and diversity, we felt that it would be very difficult and unproductive to try to align a Non Executive Chairman at this particular moment in time.

On work life balance?

This is a very controversial subject. I am a firm believer that it is up to the individual. Some people need more balance and some people need more work. I do not think one can enforce it. One should really leave it to the individual because everyone of us is different and everyone has a different make-up and a reason for what they do. Certainly we are not hard taskmasters. We do not insist that people come to work at 8.30 a.m. and go off at 5.00 p.m. or if you work till 9.00 p.m. and

be seen at office, you do not get any brownie points. In any organization you have the people who will really put 200% in. Then you have the people who really do not want to do anything. Even in such a large Group we generally know those whose output is at its maximum, and should one of them want to work at home for a week or two, if they have a problem, we would have no problem. But we also know those who really do not work and if they want to do that we will not allow it. From an overall perspective, it is ultimately up to the individual and you really cannot dictate something. It is a controversial topic because this comes up in our great places to work surveys etc. I used to be very vocal on this. In fact I recently read Jack Welch's latest book 'Winning' and quite surprisingly he says the same thing.

You have two of the best city hotels. Are you also looking at Hilton as a strategic investment?

We do not know what make, hape or size the Hilton is going to come out in. No one has seen their accounts since '97. It does make sense for us to look at the Hilton because we already have 40% of the rooms. I am not talking about monopolies here but certainly it does help on the pricing etc. I think the prices generally in Colombo at the moment are ridiculous. With year-round occupancies at over 70% I see no reason why they cannot raise rates.

I do not think that we have ignore Sri Lanka. In developing countries there are tremendous opportunitiies and big ones at that plus we know the lay of the land, so it is much easier to do it here.

Then on the role of the government, do you advocate a larger role for the government?

I think the role of the government is to be an enabler and they have to create the right environment. We are not asking for favors, handouts etc. They have to be an enabler and create the right environment for business to flourish. Also what governments and politicians on the whole should do is to give us the long-term macro picture of where they want the economy to go and how they intend to get there, so that we can then plan. Our five year strategic plan is not worth a cent because in the last 11 or 12 years we have had 11 or 12 elections, and we have had changes in policy, ideologies etc. It makes life much easier if we have clear agreement on the economic side by all political parties. But overall the role of

government must be as an enabler and create the right environment. In that context today's pressing issue is the peace process, and that is hanging over our necks. That has to be solved, and I think everyone must get together and solve it because it is a national problem that affects all stakeholders.

On the role of the Chambers, do they need to be more assertive and should they play an enhanced role in nation building?

I think there is more to be done. Firstly we must get the structure right. I think the CII in India is structured brilliantly ..

Then on infrastructure, we need to get the government to complete some of the infrastructure projects without delay? Your response?

If we are going to achieve this 8% growth that we are talking about, we have to do something solid to propel that. If not we are not going to get anywhere close to that. Infrastructure development is key. We have got to have some quick hits. The south harbor should be pushed through and done quickly. The Katunayake and southern highway have been going on and on,. Those should be accelerated. India is building 4,000 km of road a year, what have we done? Power is another major issue. Without infrastructure, attracting FDI is going to be very difficult.

How and when do we get consistent tax policies?

I think we have a very cumbersome and complicated tax structure. You have a plethora of taxes. The tax structure should be simplified. This budget talks about it, past budgets talked about it, but it has not happened. I hope that it will finally happen, because it is a dire need. It is also relevant in the context of attracting FDI as you have a complicated tax structure hitting you from all over the place. The other thing that is badly needed is a group tax structure. Groups like ours cannot even leverage on our economies of scale. This too is a dire need because people should encourage conglomerates like JKH to grow and expand, what happened in the Koreas and Japan? They encouraged conglomerates to achieve economies of scale. The current tax structure does not encourage conglomerates or groups.

We all agree that we need to focus on poverty alleviation, elimination of income inequality and generate jobs; do you have a rural focus?

One thing we are not going to do is stray from our core businesses. The rural economy issue is a huge problem; and it is a national issue. I see our activities in the provinces being driven through tourism and also to a certain extent through our F&B and retail side. I cannot see us going and opening manufacturing facilities or doing apparel etc. Our strategy is a well-focused strategy and we made the mistake of trying to take advantage of tax holidays etc. We went into ornamental fish, diamonds etc, and I think we have learned from those lessons and we are going to stay focused. Infrastructure is something that we are very keen on and done quite successfully. This could impact the rural areas.

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Do you employ rural graduates?

We used to do that through the “Tharuna Aruna” and “Sivasaviya” etc. They have worked well. Most of them are still around. What we find is that some of them are absolutely brilliant, it is only the English issue, but we have given them English classes and they are getting much more confident. We have quite a few still in the group and they have been offered permanent employment and they are treated equally. However, as soon as the government starts recruiting, they prefer the government jobs. I cannot fathom why because they would earn double that at John Keells, but I suppose it is the security and they are more comfortable in that environment. But we still have about 40 or 50 of those we took off these two schemes. We took over 150 and we have about 40 or 50 left, and some of them are doing extremely well.

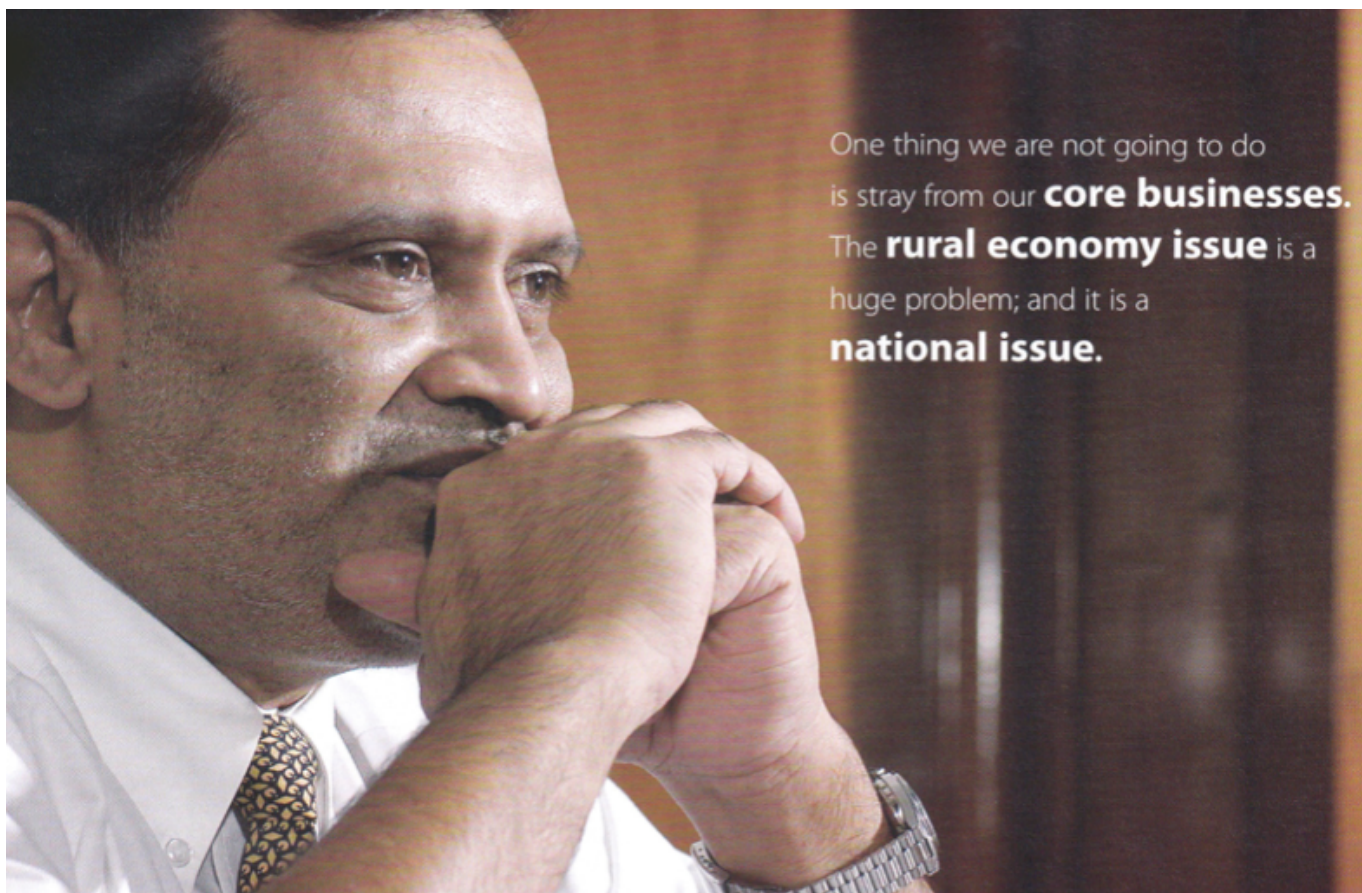
Your growth has come through mergers and acquisitions; what are the other acquisitions you are looking at?

We are looking to grow the financial services side and I do not think we can grow that organically. It will take us a long while to grow organically and we are not very patient people. Our success, looking at our recent history, has been through acquisitive growth. That does not mean we are averse to greenfield projects. One must have the ability to see an opportunity, then go after it and get it working well and done quickly with the right teams, etc. Yes, our antenna is up all the time scanning for new opportunities. However, I cannot talk about some of our plans at this stage. The philosophy is simple; think future and start preparing now.

Finally, you are a very busy man. How do you generally relax?

I am generally an earlier riser. I get up at 5.30 a.m., and I get to work by 7.10 a.m. I work till 7.30 p.m. or 8.00 p.m, if I have to. But if I do not have work I go home at 4.30 p.m. or 5.00 p.m. I relax at home with my wife, daughter, and my dog. I try to avoid socializing during the week. Home is the place where I relax.





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