



Dr. Balaji Krishnamurthy, Chairman & CEO, Planar System

Incentivize and Succeed

When he was brought in as chief executive officer of Planar Systems Inc. (NASDAQ:PLNR) in September 1999, Balaji Krishnamurthy had little experience running a business. The man who until then had served as Vice President and General Manager of various business divisions of Tektronix, however, turned this company around despite challenging market conditions with an out-of-the-box attitude towards well-entrenched corporate practices. By Karthik Sundaram & Rahul Chandran

Beginnings

I grew up in small town Pilani in Rajasthan. Naturally, the Birla Institute of Technology and Science in Pilani was my first choice of undergraduate school. Later, I moved to the U.S. where I did a Masters in Computer Science and then a Ph.D. at the University of Massachusetts. I joined General Electric Company in 1981. After four years, I moved to Tektronix where I worked for 15 years until 1999. My early days at Tektronix were spent researching in CAD related activities. Over the years, I became involved with various divisions in the company and held responsibilities ranging from Vice President and General Manager in Engineering and Marketing among others.

On Joining Planar

The company co-founder and chief executive officer Jim Hurd was suffering from a terminal illness and wanted out. The Planar board wanted to bring in someone from outside and apparently I fit the bill. I had always wanted to be involved with the business side of running a company and Planar was a chance to do just that. Plus, its business prospects were exciting as also the technology base. Really, the only challenge for me was the market condition that had begun to go sour by then.

On the Change in Role

Even though I was a technologist, I used to keep an eye on the bigger picture. And at Planar, I have to do it constantly. We have fostered a culture where the rank and file and middle management are authorized to make quick real-time decisions. So, the CEO is more of a strategist, and that fits in nicely with what I like to do. It was just a natural progression for me. Different people in the company have different levels of influence on the company as a whole. As the stewardship increases, so do the responsibilities. As CEOs, we are directly responsible for how the company does. So that is an added incentive. Keeps you honest all the time (laughs).

On Leading An Enterprise

As long as we keep shareholder interests in mind, there will be no problems. Relentlessly focusing on that also keeps the issues simple. The only way to create shareholder value is by creating value for our customers. And that is what we strive to do.

Sometimes we have had to exit a few businesses. The company exited military AMLCD business. We signed partnerships with Truly Semiconductor, providing added manufacturing capacity of LCD products from Truly's mainland-China plant. Each of these decisions were taken with a view to minimize operational risks.

One other way is to hire the right people. We have a policy to hire the top quartile of people for any job. From these people, I expect top quartile performance for which they will get top quartile compensation. This works all the time. You get into the habit of examining the behavior of every single individual in your team to assess whether they fall into the top quartile.

On Motivating the Troops

The one thing that I believe is unique in this company is our method of incentivizing performance. Many companies hand out bonuses and stock options. We do things a little differently. In my experience, I have noticed that the rank and file are often the last people to get bonuses. So, we put in place an inverted bonus plan. Planar must exceed certain operating-income goals that benefit shareholders before rank-and-file workers receive quarterly or annual bonuses. Managers come next in line, followed by the executive team. This ensures that the lower hierarchy gets their dues before the next level of managers.

Another incentivization plan we crafted is to insist that the executives take their money out of their pocket and put it on the table. We advise them to buy stock in the company, over a period of five years. The idea is that executives should have skin in the game too. We have also inculcated an environment where risk taking is part of our leadership mantra.

There are many more intangible, less dollar-oriented methods to encourage productivity. We look for people with the mind of an entrepreneur, but who might not want the hassles of setting up a company. We give them the opportunity to work for us. In my experience such people are generally great team players and they are quick decision makers.

Our company is small enough that everybody has to depend on everybody else to get the job done. Most of our metrics are team and company metrics and not individual metrics. So it all depends on the team. Have a good team in place and you can't really lose.

On His Leadership Style

If anything, you can call me intellectually honest to a fault. My discussions are frank, sometimes brutal. We need people who are able to discuss issues without fear of repercussions of the position that they took.

We allow a lot of people to air their views because creative conflict is what distinguishes successful companies from mediocre ones. At Planar, the management team is more like a back office decision maker. The middle management and rank and file workers are the ones that make the actual day-to-day decisions. And we can trust them to do the right thing because they are already tutored on their responsibility to the shareholders.

On Corporate Governance

We have been into corporate governance much before the term was coined. We follow a simple system that we call "internal governance" as opposed to external governance. I believe good internal governance leads to good external governance. For example, every time we have a board meeting, my executive team has personal talks with the board members. The talks are freely structured, except that the board member cannot give directions to any of the leadership team directly. The communication has to pass through me. That way, we have a good system for brainstorming but at the same time, everyone knows who is responsible if something goes wrong. ■