

Newsweek February 19, 2007

Corporate Confidant

Beneath the radar for years, Ram Charan is now flying high as a consultant. Why do CEOs love him?

By Daniel McGinn

When Jack Welch ran General Electric, every so often he'd schedule an appointment with a man named Ram Charan. They'd sit in Welch's corner suite and spend a couple of agendaless hours talking about business, people and the world. Charan is a management consultant, but these meetings—like Charan's chats with dozens of other CEOs—were unlike most interactions between consultants and executives. Charan presented no PowerPoint presentation and kept no team of M.B.A.s standing ready to implement his advice. Instead, he just offered informal wisdom about how to improve companies—and even bosses as overscheduled and impatient as Welch routinely have made time to listen. "I'm a huge admirer," Welch told NEWSWEEK, describing Charan as unusually adept at helping companies import "best practices" from other firms. "Ram is an incredibly effective sponge—he's always learning, and he keeps confidences ... People just like to listen to what he's saying."

It's a unique way of earning a living, but then Charan is a unique fellow in the subculture of management consultants. Corporations routinely call on blue-chip firms like McKinsey & Co., and there are dozens of self-promotional speaker-author types who ply the lecture circuit. But until a few years ago, few people outside corporate boardrooms had even heard of Charan, who leads a strangely itinerant lifestyle and has spent years operating below the radar.

For more than three decades, the 68-year-old Indian-born, Harvard-educated consultant has run a one-man practice. Though he keeps an office in Dallas, Charan says he has no actual residence, and instead stays in hotels 365 nights a year. Notoriously private, he claims to rely solely on word of mouth to gain business. But lately his profile has been rising. Since 2000, he's authored or coauthored more than a half-dozen books; together they've sold more than a million copies. His latest was published last month: "Know-

How: The 8 Skills That Separate People Who Perform From Those Who Don't." Two more titles will hit bookstores later this year.

It's a far different path than the one for which he seemed destined at birth. Charan grew up in what he describes as a lower-middle-class household in India, sharing his home with his parents, six siblings, six cousins, an aunt and an uncle. The family ran a small shoe store, where Charan learned early on the importance of the bottom line. "If there was no cash in the till at the end of the day, there was no food on the table," he says. Charan became one of only two of the 13 children to attend high school, and continued on for an engineering degree. By the early 1960s he'd moved to Australia and begun working at a company where a senior executive began tutoring him on the firm's finances. Eventually his bosses pointed him toward Harvard Business School. As an M.B.A. student, Charan showed such promise he was tapped for the doctoral program. After graduation, he stayed for six years as an instructor.

It was a formative experience. Learning and teaching through case studies trained him to size up business problems quickly, Charan says. But he also realized he had little appetite for the academic research required of a university professor. "I'm not good at it," Charan says. "The key to my orientation is utility, usefulness"—and he finds very little academic research that's helpful to managers. So in 1973, he quit, and began counseling companies. He says his work is different than most consultants', who have a set of theories and tools and then search out problems that suit their fix-it kit. By contrast, he describes his process as "observational research": by spending long stints inside a wide array of businesses, both with CEOs and line managers, he's able to recognize patterns of behavior that add value—and see patterns that don't. He also may be able to identify problems earlier than managers who spend all their time inside one company. "I'm able to perceive what challenges are coming," he says.

If that sounds more than a little bit cryptic, well, yeah. Exactly *how* Charan does what he does remains a bit of a mystery. At times his services sound a bit like the informal counseling that Washington "wise men" offer to presidents. Like any good counselor, Charan is careful not to talk too openly about the advice he gives; in an interview, he answers many questions with polite versions of "None of your business." How many clients does he have? "That figure I never give out." How does he bill for his time? "Let's

not talk about that." But his reluctance to discuss his work is, in fact, a linchpin to his success; clients cite his confidentiality as a primary reason they bring him inside their boardrooms. "My work is very personal, very confidential," Charan says unapologetically. When Charan utilizes clients as examples in his books, he's careful to get permission.

Those examples are a key to his books' popularity. In his latest, Charan looks at how companies like General Motors and Wal-Mart have struggled to reposition themselves as customers' tastes have changed; how Home Depot shifted from an entrepreneurial culture to a more centralized, data-driven management structure, and how IBM picked Lou Gerstner to lead its celebrated turnaround. Some of the examples explicitly involve his clients: at Verizon, CEO Ivan Seidenberg invested \$2 billion to run fiber-optic cable to consumers' homes while simultaneously moving the company into wireless telephony, allowing Verizon to thrive even as customers shifted to cell phones and broadband. Charan also provides tips on identifying subtle signs that a company's strategic position is deteriorating (look for a sudden drop in customer satisfaction) and spotting leadership talent (don't overrely on sheer intelligence). The resulting books lack the epiphany-like, easy-to-understand framework of either pop best sellers ("Blink," "The Tipping Point") or buzzy academic books ("The Innovator's Dilemma"). But despite the lack of a unifying premise you can toss off at a cocktail party, Charan's work impresses readers by being chockablock in useful tips. "He's writing to a level that's higher than what most business writers do," says Jack Covert, president of 800-CEO-Read, a business bookseller.

His wisdom could make him a big draw on the lecture circuit, but instead Charan remains mostly inside client companies. "I may facilitate a board meeting ... I may evaluate a strategy proposed by consultants. I may help an HR person [evaluate] CEO compensation," he says. The day before a recent meeting with NEWSWEEK, for instance, Charan visited the CEO of a company he wouldn't name. Earlier he'd spent two days watching the CEO lead on off-site meeting, and during this follow-up session, he gave the boss feedback on how to achieve better focus. While meeting with NEWSWEEK, a car idled downstairs, waiting to whisk him to a meeting with a CEO in New Jersey, after which he'd head to dinner at the home of another. Near the door sat the two rolling suitcases that contain the bulk of his possessions. He has no idea when he'll visit his Dallas office next. ("There's nothing there for me to go back to," he says.) He has no immediate family, and visits his relatives in India annually.

Arguably his most important work has been conducted at GE headquarters. Known for being dismissive of consultants, the company believes the job of managing belongs to management and should never be outsourced, so being embraced by Welch and his colleagues earned Charan a wider network of contacts. "GE gave him a platform of legitimacy," says Larry Bossidy, retired chairman of Allied Signal and Charan's coauthor on the book "Execution," a 2002 best seller. In fact, since Welch handed GE's reins to CEO Jeffrey Immelt in 2001, Charan's work there has accelerated. After his promotion, Immelt hired Charan to interview his 40 lieutenants. Based on Charan's findings, GE revamped its annual business reviews to focus on longer-term growth prospects. These days Charan conducts annual interviews with GE's directors and managers, and then makes suggestions to the board to help it work more efficiently. Says Bill Conaty, GE's senior VP for human resources: "He's a brilliant strategist, a trusted confidant and a tireless worker." So long as accolades like that keep flowing, Ram Charan's advice will keep on selling.