

A. Stotz



BUSINESS  **DNA**
WITH ANDREW STOTZ



Interview with **Masthawin Charnvirakul**

Managing Director,
STP & I Public Company Limited (STPI)



LEADER DNA

After earning an MBA at the University of Southern California, Masthawin was hired by The Dow Chemical Company. There he met his first and most influential mentor, who put Masthawin’s personal career on the fast-track. He learned “very drastically and directly” at his mentor’s side, so that, after Dow, he joined one of his family’s companies, STP&I, and was quickly appointed to pilot it through its darkest time. Masthawin’s leadership emphasized changes that have brought the company to the financial success it is experiencing today.

What Masthawin shared:

The future of STP & I

To expand further at the global level. STP & I’s leader argues that, as with other Asian governments’ support for business, Thailand’s backing of his industry could make a big difference.

Keep a great team

The greatest leader cannot accomplish anything without a team that is willing to change and stay loyal to the company.

Accept the need to change

Business is always changing, and, as a company, you need to adapt to those changes. However, you cannot change too quickly or too carelessly as that will be extremely detrimental.

Give proper evaluations

One of Masthawin’s life business lessons is: “Don’t label someone or give him a score from one to ten too fast. He may be your lifesaver. On the other hand, if you take too long to evaluate a person, if he is the wrong person, he may eat up your fortune.”

Stay tough

Masthawin identifies his company’s DNA as staying tough and strong because good times never last and a company has to protect its unique position and its margins.

Don’t make “Deals”

STP & I serves many foreign customers and is relatively free from the influence of politics. It serves three demands—safe products, rapid delivery times, and better quality—while avoiding dark or unethical practices or the “fourth demand: Let’s make a deal.”



Masthawin Charnvirakul

Title: Managing Director,
STP & I Public Company Limited (STPI)

Education:

Bachelor of Science, Chulalongkorn University; Master of Business Administration, University of Southern California

About the company:

STP & I is a distribution and service agent for mechanical equipment used in the construction and energy industries. It provides steel products for a vast array of heavy industries and projects, such as high-rise buildings, refineries, bridges, and airports; and it’s participating in major projects across all of Asia and Australia.



Welcome to Business DNA, a chance for us to dig into the essential makeup of business leaders and their organizations. Our focus is not on the short term but rather on understanding the driving forces of a business. Our guest today is Masthawin Charnvirakul, who is CEO and head of STP & I in Thailand.

by Andrew Stotz

Before we begin, let me give a little background about the company. STP & I is a distribution and service agent for mechanical equipment used in the construction and energy industries. It provides steel products for a vast array of heavy industries and projects, such as high-rise buildings, refineries, bridges, and airports; and it's participating in major projects across all of Asia and Australia. Masthawin, can we take a moment for you to introduce yourself? We want to get to know you, your experiences, and the people who have shaped your life. In other words, we want to understand your personal DNA, what makes you tick. Tell us about yourself.

Thank you, Andrew. Let me try to introduce myself briefly. I graduated from Chulalongkorn University. My career started with the Swiss Bank Corporation as an assistant analyst. After that, I was fortunate enough to be sent to work with the Prudential Insurance Company of America in Newark, New Jersey. It was not a pleasant city but it was a good experience.

After working at the bank and Prudential Insurance, I would have elected to work in the financial sector but something told me that I had to give something back to my family's business, Sino-Thai. I could not just be a professional banker or insurance professional and let my father and brother struggle on by themselves, so I decided to pursue my master's degree. I went from New Jersey to Los Angeles and entered the MBA program at the University of Southern California (USC).

After finishing, I was contacted by a few companies. At the time, it was a golden era for Thailand. The Shinawatra company was getting established and its staff went to the US to recruit some Thai MBA graduates. Citibank did the same. That was 20 years ago. I finally chose to work with The Dow Chemical Company, and this was an essential part of my managerial career. The beginning was just the way I grew up, but I'm still happy that I chose to work at Dow. I had a very good British boss who had come to the campus to interview me on his way to Thailand. I already knew that he was one of the rising stars at Dow and that he had been elected to manage Thailand operations, joint venturing with Siam Cement, to become one of Thailand's biggest petrochemical complexes. So during the interview, Peter said, "Hey, why don't we come together and make a hit?" and I said, "Why not?" So a partnership was formed.

I was lucky enough to take the expressway in my personal career, because [usually] when you are young, after doing an MBA or whatever, you have to work at a very low level and climb the ladder. But Peter saw some of my DNA during the interview and I still don't know how. The interview went well but about half of it was spent talking about entertainment and golf. Finally, he said he saw something in me, and I got put onto a fast-track. Like me, he was in his late 30s. He's the kind of manager that values young talent, unlike my father. Usually you need to be 55 before you can be an MD (managing director).

Peter wanted to show me how he had grown up in management. So, I had a good boss in the very beginning. He just asked me to follow him and, most of the time, sit in his office. Sometimes, I had to look at the floor feeling sympathy for a senior manager, 20 to 30 years my senior, called in for failing to meet a target of some kind. Sometimes he would dismiss people in front of me. It was very embarrassing, but I started getting used to it and it changed me unconsciously. That's the way I learned – very drastically and directly. I didn't have the chance to grow slowly. I had just arrived from business school and he said, "I want to build you", which was what he did for almost a decade.

Maybe what I can ask you now is, from your time with Peter, what would you sum up as the core lessons you've learned from him?

He is a perfectionist. Number one in my brain when we are talking about him is "never compromise." It's so painful to be number two. Silly mistakes and surprises were forbidden. He hated surprises and wanted to plan and see his plans happen step by step. Number two is that he focused on the people who worked for him. He was not just about making employees satisfied and happy – that's HR 101. He took care of his people like a godfather. He wanted to know about your family, spend a Saturday afternoon visiting your home and meeting your parents – especially those managers he saw as being in his inner circle, with the maximum potential. He remembered birthdays and other little things about you, which made you never want to disappoint him.

And how have you brought these things into your own business style?

Actually, this is my 12th year at this company since I left Dow. I think I copied a lot of his style, but people have differences. I have my own character. But in most cases, I have kept Peter's teaching close to heart. The third idea I recall about him is that there's no free lunch or cheap good things. You have to pay for good things.

Through hard work, through money, through whatever it takes to get something good...

That's right. He said if you are very talented but expect a low salary, you will get a very normal increase each year. You have to expect a lot more and dream the impossible.

"...there's no free lunch or cheap good things. You have to pay for good things."

Great! I've given a bit of a formal description of your company, and anybody can read it in an annual report. But can you take a moment to explain your business in a clear and simple way so that we can understand what your business is about?

My business is divided into two eras. The first was when I joined the company and the business was just steel fabrication – very simple. Suvarnabhumi Airport was the first project I was responsible for. So, when I joined the company, the family asked me to take care of this company, which had a 200-million-baht equity deficit. And the registered capital was in a similar state.

Zero equity value, basically.

No, actually it was minus 200 million and the registered capital was about the same. I said, “Hey, apart from the assets, there are all the [huge] liabilities. If the company goes bankrupt tomorrow, I'll go to jail because I have no money to pay the employees' severance.”

But, that was what the family wanted. From the beginning, that first era was difficult and bitter. And before I came here, I've told you about how much I was trained by Peter. He even taught me how to go out drinking all night and be in full business attire the next day for a 7:30am meeting with a customer. I would have to prepare a presentation and be ready, and we were both there. That was how I was trained. Thrown in and given responsibility. So when I came here [STP & I], the family had no idea what I had encountered. They thought I

was still a kid. So they decided to give me this sinking company, to be honest, just to tame me. They didn't care about my time at Dow. I was 25 or 26 years old. I sat on the board of many Sino-Thai group companies including STP & I. I complained a lot and challenged management, but in good faith. They said I was too aggressive and that was conveyed to the family, who said, “Why don't we give him a chance and tame him and let him face the difficulties? Maybe he will rise to the occasion and see that it's not as easy as working for Siam Cement.”

It's a very different environment.

They thought I had been in an easy environment and tried to sit back and refrain from commenting, just to see how I would manage a company in trouble.

Now, when you look at your business today and someone is going to invest in your business and they want to learn about your business, how would you describe what your business is today?

To answer this question, I have to tell you that the reason STP & I was sinking was that the business model was so bad. I brought in every business model in the world to analyze STP & I at the time, (the easiest of which were [Porter's] five forces and SWOT), and it turned out that it was working in a very low-margin business, if any. And, the barrier to entry was very minimal. Your general manager, foremen, and workers could easily team up and leave to open a similar business to the one we had, so there's no loyalty. The technology was of a very low standard.



“Hey, apart from the assets, there are all the [huge] liabilities. If the company goes bankrupt tomorrow, I'll go to jail because I have no money to pay the employees' severance.”

The customer contacting you was not the end user, and in the value chain you are very low. They would treat you like a slave because the customer had a big project with the end user, the margin was allocated, and they had a very slim margin themselves.

“Oh, Masthawin, STP & I, the new boss. You do the airport; you do the steel. We have the airport. Come and work for us.”

So, it's needless to explain further how the margin looked at that time.

So we come to the second era. In a few years, I had tried to apply the way I was trained. There were about 400 support staff employed at the time and about 1,000 in operations staff who had worked for 50 years in a losing manner.. And then, here I came and said, “I've come from Dow Chemical, which is in the top 20 of the Fortune 500. By the way, I worked for Siam Cement as a joint venture. I learned from Siam Cement.” And they said, “What? You can't apply it that way. You can't apply your own personal goals to theirs.”

I tried to help each employee set and reach their own personal goals. They again said, “You can't do that here.”

Finally, we reached a financial crisis in 2004 and business was so bad that I decided to give up. I strongly recommended that the family close the company; to let it run at a loss and let another company in the group buy it and run it as a division. I thought that would be smarter. Let's face it—it's a dog business.

Now, it's not a dog business anymore.

I wish so.

Very shortly, what is this business? Maybe I'll ask it in a different way. What I'm trying to do is to dig into the business DNA. What do I mean by "business DNA?" Well, recall that DNA is the molecule that encodes the genetic instructions used for the growth of any living organism. And, of course, a business is very much a living and growing organism. Also remember that the true beauty of DNA is its ability to replicate. So when we think about business DNA, it's about the way the values of the company come to life, the code that is replicated through the employees. It's about how customers feel about their interactions with the company. So take a moment to briefly explain the business DNA.

I've spent a lot of time explaining the way I started my career. I was trained outside in a very reputable company. My good boss is still there. And then, I encountered a really bad start. I've been here for 12 years. So, the business and my personal DNA look alike.

It matches you.

Yes. So I tried hard to get management and my team to follow my way. The DNA of this company is that we never forget the wrongs of the past. We didn't do it wrongly because we were stupid. We did it wrongly because we were in the wrong place at the wrong time. We worked for a very low margin and with low technology.

That's great! That helps us to understand the background of the pain and suffering of many years and losses, and then the painful turnaround to get where you are. That is the foundation of the way that you act as a business.

Exactly! So now about 80% of the company's employees are new so they haven't encountered that experience.

And the DNA of the company is, basically, sharing that experience so that they know to stay tough and to stay strong because it wasn't always good times and we have to protect the margin of our business or the unique position. Would that be a good description of it?

You see the situation through my eyes.

Okay, got it! Let's now talk about misconceptions. When people look at your business, whether it's an investor or a potential new customer, what would you say is the number one misconception that they have about your business?

They think we are a subsidiary of Stecon [Sino-Thai Engineering & Construction]. That's their fatal mistake. We have about the same market capitalization as Stecon, and we sometimes exceed it. But, we are

actually well on the way to freedom from Thai political influences. Stecon usually works for the public sector, and has had to make unavoidable [political] connections to get jobs done and win new projects. Even now, we are still perceived as a sister company. I don't know where this attitude came from. We're not sister companies. We are just a company in the same group. We work independently, and we work for foreign customers who demand safe products, with rapid delivery times and better quality. They [foreigners] just have three demands. They don't have number four: "Let's make a deal." So this is the difference. I don't get involved in dealings such as that.

So what that also means for the opportunity for the investor is that if somebody was to push the share price

down because of political issues in Thailand, STP & I doesn't really have any exposure to that because 90% of your revenue...or what percent of revenue...is coming from outside of Thailand?

One hundred percent. So they did what you described, but right away our stock bounced back after a few weeks.

Great! Now, I want to switch to talk a little bit about stories. Basically, what I want you to do is share with us what motivates and inspires you during difficult times? Tell us about a time that you had to dig deep and really rely on that inspiration – maybe the inspiration you got from Peter or whatever other inspiration you've gotten. When was a difficult time or one of the most difficult times in your career?

First of all, let me clarify that, in addition to Peter, many good teachers have mentored me; I just mentioned Peter because he was the first and had the greatest influence. The most challenging time of my career was managing this company because I had to run a three-billion-baht company in my mid-twenties under the patronage of Peter, so I didn't feel very excited. But I felt that it was far more difficult managing a less-than-a-billion-baht business here because people were stubborn. They resisted, refused, or outright rejected change, even though the company was falling fast. So the biggest challenge for me was to find a way out. I was even about to sit down and talk to the family about surrendering. But, it was just at this darkest of times that I decided to try once more.

Let's say that was a deep time.


The deep time was to convince the desperate company: "Hey, let's try another way."

Let's talk about what you would consider to be your biggest mistake throughout your career: Something that when you look back at it you think, "Wow, I went the wrong way."

I've made quite a number of mistakes, so I will give one off the top of my head. The biggest mistake (just for the company, not for my personal life) was failing to give a person enough time to evaluate him—that is, I doubted him.

So you were under pressure yourself, maybe...

From the business.



The deep time was to convince the desperate company: "Hey, let's try another way."

Yes, and then you put the pressure on somebody and there was not enough time for that person to produce.

I was unlucky enough to be the captain of a sinking ship, when people need to run to fix problems, but this person was walking, so I just threw him overboard. It turned out later that that the guy knew what he was doing and was acting wisely, but while I was watching him he was doing nothing, and I gave him too little time to show his worth. That was at the beginning of my career.

So, if we summarize that...for the person who's reading this and wants to learn as a young person, how would you sum that up?

What advice would you give someone from what you've learned from that?

Please don't label someone or give them a score from one to ten too fast. He may be your lifesaver. Or if you take too long to evaluate the person, he may also eat up your fortune. That's the point. But for me personally, I tend to act too fast because, in my experience, there are a lot of good people in the waiting line. Siam Cement had about a hundred MIT graduates [waiting for a job]. If someone didn't deliver, I kicked him out. The next day, I would have 20 applications.

On a sinking ship, you don't have such a luxury. So the advice to my fellow or aspiring managers is also that you have to know yourself [and your company]. If your company is an SME or you're not big enough and don't have the resources, don't act too fast because that could burn your house down. But if you are in a conglomerate or major company, don't act too slowly because that's expensive. People who don't deliver need to be out.

Now, can you tell us about the proudest moment in your career?

I will never forget. It was at a shareholders' meeting, and just as the meeting was drawing to a close some of the minority shareholders stood up, especially some from local mutual funds in Thailand. They made a special request to the majority shareholders, mainly my father and brother, that I be given a greater

Please don't label someone or give them a score from one to ten too fast. He may be your lifesaver. Or if you take too long to evaluate the person, he may also eat up your fortune.

shareholding in the company. What they said was that they wanted to "marry me to the company." I was very touched and felt at that moment that I had succeeded so far at returning the company to profitability and a strong future. Aside from that very proud occasion, the numbers say it, Andrew. The record shows. It's a source of pride for everybody. The financial statement and the curve show the results and I feel proud about that.

Was there a time that you looked at the bank balance or the cash in bank and you thought, "We've made it?" Is that something that you could identify as a proud moment?

Before I did it [turned the company around], I felt that I would achieve my dream numbers if I made the first billion baht for a company that's in deficit.

But that would be like Thailand becoming Japan overnight. When you've work so hard and encountered many difficulties, with staff, customers, and lawyers fighting you all the way...it feels like the movie *300*. You've exhausted everything to reach the figures you imagined. Then it's like, "Oh, it's good," but you don't have any energy left to jump and celebrate.

So it's a quiet celebration.

Yes, because it's a self-celebrating moment each step of the way. I think the proudest moment apart from the numbers was the day I prevented the company's death. During the transformation of the company, its first customer was very underhanded, and we had come too far and could not afford to sink any further, so we had to stop them. This customer decided not to pay us their final payment, and we still had their most important product in hand. Somehow, through legal documents claiming they had a right to do so, they transported the product and loaded it onto a ship ready to sail. We all knew instinctively that if that ship was allowed outside Thai territorial waters, we'd never see them, the money, or the product again.

So I rallied my top four people and told them that we'd come too far. We'd been insulted. We had been in deep enough water already, and now, just as we were about to emerge on top, a thief was pushing us down to depths where we didn't belong. We were in such a state that we'd rather destroy the product than to lose it

in such a way. I told them to grab every brave worker they could and get to the port as soon as possible—and the ship's captain was about to weigh anchor and leave port.

I did everything in or beyond my power to stop the ship and this involved the police, the water police, and the navy. But when they arrived, they (the ship's captain and officers) said, "This is the territory of Panama," because it was a big ship. Even so, we managed to get the captain to come down, and he had security guards with rifles who said they could shoot me without any legal responsibility because I was trespassing on the legal territory of Panama. It's a long story, but I managed to stop the ship leaving and we started negotiations with the client. I said, "Sorry guys. It was a good try, but you will never leave. Do you want to talk or do you want me to call CNN, BBC, or CNBC and I will burn you (the name of your company) and put a big flag up saying 'This is the result of doing business with (your company).'"

I'd say that's a proud moment – to fight for what is right.

And to fight for what is right as an employee. At the end of the day, I'm an employee. We fought with the risk of losing our lives.

That's a good message for your employees, too.

Nowadays, you never know. That was eight years ago.



That's a good number of stories and we've learned a lot from them. I guess one of the things I'd like you to do is just bring your experience, good and bad, down to a short statement about what you've learned about business, and what's important about business. What do you think is the number one thing that a young person or an aspiring business person should know?

This is for both the young and the old. You should not do business as usual and keep doing it the same way and expect to hit a home run. It's lunacy to expect that to produce effective results. But you have to also be very prudent about how change is implemented. At the beginning, I talked about change, and I may have persuaded the company to want to change but in the change period, if it is done too fast or too carelessly, such change may take a company in the wrong direction, which can be extremely detrimental. So, first don't expect the same methods to always hit a home run, and second, you have to change in the right manner. If you implement the wrong strategy, it's a fast track to business suicide.

The next question is, which one of your personal habits do you think helps you to be successful?

Honestly, I'm not saying I'm successful after doing well in one financial period. I have at least

eight years of very successful numbers.

But let me ask it this way. For the success that you've achieved so far...do you come in to work early? Do you work late? Do you meet people? What is it? What is one thing? Do you exercise every day? Many people have different things. What would you say is one personal thing about you that helps you?

It's the team. I could never do anything without a good team. What I've talked about from the beginning is the method, the aspiration, the strategy, and the willingness to change. So how to implement it is through the team. But without a good team, I would have never made it to this point. So if I had to do it again, at a different company, a sinking company that I would have to fix, I would spend most of my time selecting the right managers for each area. When I worked with Peter, we only accepted the perfect people for each of the key roles.

Right man, right job.

Is there any book that has influenced you that you would recommend people to read?

It's not one book but the thing I read most is history, and not the history of dinosaurs or cathedrals but the history of people. What was it called when Russia changed from a monarchy to Lenin?

What I've talked about from the beginning is the method, the aspiration, the strategy, and the willingness to change. So how to implement it is through the team. But without a good team, I would have never made it to this point.

The Bolshevik Revolution?

The Bolshevik Revolution is one of the most influential stories for me because when I entered the failing company I fired nine of the eleven in the management team, because I saw...you remember the underground shooting? [Here Masthwin appears to be referring to the left-wing uprisings against the Bolsheviks, and Lenin's brutal repression in response, which included telegrams ordering "immediate execution for anyone caught in possession of a firearm" and "Comrades! The kulak uprising in your five districts must be crushed without pity."]

Rifles coming...

Yes, because, at that time, I had the obsession that the people were resisting me. They didn't want me to come and speak badly about the way they were working. When you tell Thai people they need to change, that means you are telling them that they are not doing well or that they are stupid. Most of the Thais and Asians took my approach personally. So I did it too fast. I looked at the numbers and said, "Enough! We need to change." And they looked at me like I was the black sheep of the family. They were playing with their phones and I said, "Are you sending me a message of resistance?" And they said, "No, no, just tell us what you want, boss."

But I knew that they were truly resisting so I went to my library and saw that Lenin had done a good job. So, the next day, I came in and I fired them all. That was maybe...not the proudest of moments...but one of the most remarkable moments of my life. Needless to say, my life was very difficult after losing all those key people. The reading of history tells me how do deal with people, especially clients or those opposed to me. People will say that a company should be divided from clients—but actually, that's not so because we have the same objective and that is to get money from each other. So the more I read history, the more it keeps warning me that there's no easy money.

Back to the lesson from Peter.

You shouldn't expect a smooth life. When you read history, you can see that sometimes the thing that you believe is so certain, so sure, can be lost. So, there are no guarantees. All can be lost at the last minute as you are about to celebrate. And the dream is wiped out.



People will say that a company should be divided from clients—but actually, that's not so because we have the same objective and that is to get money from each other.



Let's talk about the last question: What is something about your business that's got you really excited right now, something that will have an impact on the future of the company?

It's the aging of my good people. The business is doing quite well and the people running it are very experienced. Unfortunately, they are getting older by the minute, and the new generation contains a very different kind of people. Those born from the late '50s to the '80s have a different view of the world. I still talk about Peter, right, and you talk about the people you most admire. The kids nowadays don't talk about people like that. They think they are already smart and don't think that they have been helped by people who love them or want to build them up. So when my good team is old...I will kid them that if they retire, I'll give them an extension. If they cannot walk, I'll put them on the board of directors. This is my commitment to them, but my concern is about the road ahead. I feel that the current generation is not very pleasant to work with.

They're tougher for us to manage.

They're not so cute. They're not so grateful. But, I have to learn that I can't change them. So I have to adapt if I want to work with them. That's my next challenge, because the way I manage the people of my generation cannot be used with this current one. I've tried so hard. The loyalty to the company is diminishing. The [rapid]

exchange of information about employment means they don't care whether it's a good job or a bad job, they just jump to the better pay and the company suffers. This is on a macro level but it's disturbing me [personally] as well.

You can feel it. And is there anything about your business that you feel will give a lot of good growth opportunities in the future? Have the present skills of your business changed? Do you see projects that you can do now that you couldn't have done in the past? What are some of the things that you see for the future growth for STP & I?

The only way to grow STP & I to the global level is to have the government of Thailand support it. I don't know if that's possible. They [government] have supported the automobile industry like crazy. For the first-car program, they gave a 100,000 baht rebate to stimulate car buying. That's what we are looking for. We use the port after building products to send them to the world, and the port is owned by the government. But, in order to compete with the Koreans...actually, I see that we were are about number two to Korea. Soon we will be number three, because China is chasing Korea and maybe will soon be number one.

The reason Koreans are number one is because they have Hyundai and Daewoo. Those "super majors" are established, but China can catch up very quickly because its government gives

businesses unlimited land. We don't. The [Chinese] government gives them incentives on import duties and materials. We don't. And, China has plenty of workers. We don't. So, all that can be furnished by the Thai government if they show the political will. I think I can make more money for the country than the tourist economy of one province. So, why does the government keep carrying out tourism programs without any success and fail to support me? I have the recipe. The government should wake up and talk to me and I can make it happen. Without such support, it's very difficult because all my extensions of business are linked to the government sector.



Great! It was fantastic to learn all that and get the background. I appreciate your time very much and thank you.

Thank you. It's nice to have you here.

A. Stotz

BUSINESS  **DNA**
WITH ANDREW STOTZ

astotz.com