
The 10 Minute Mentor Podcast

Our ongoing series on leadership in the age of disruption

Episode 8: Leading in a Social Crisis: What Blood Diamonds Taught One Industry Leader

**Guest: Varda Shine, Executive Mentor, Merryck & Co UK
Former CEO, De Beers Diamond Trading Company**

Host: David Reimer, CEO, Merryck & Co Americas

TRANSCRIPT

David Reimer: Welcome to Merryck & Co's Ten Minute Mentor podcast, part of our ongoing series on Leadership in the Age of Disruption. I'm your host, David Reimer, CEO of Merryck & Co Americas. When social consciousness threatens to blow up your business, what's a leader to do? Today we'll talk to one such leader, Varda Shine, on how De Beers embraced social consciousness and not only improved their business, but changed an industry. Varda is recognized as one of the major power brokers in the international jewelry trade. As CEO of De Beers Diamond Trading Company she led the business to record sales and profits. During a time when conflict gems became part of the social lexicon, she was emerging as a leader within De Beers. Varda, welcome to the podcast.

Varda Shine: Thank you, David. Nice to be here.

DR: Before we jump in, Varda, give us some context from your time within De Beers, before you were CEO and we'll get to when you became CEO, but how did the emerging social conscience around conflict diamonds, how did that affect the business?

VS: David, thanks. It was an evolution, but really in the mid '90s, there was suddenly much more social awareness about Africa and diamond producing countries and the fact that in some places, diamonds were actually used to fund wars and other things.

DR: How did the company react?

VS: First of all, De Beers cleaned it's stable, so De Beers was only working in stable democracies or places where they felt it isn't representing a social problem from the early '80s.

DR: More than just cleaning house internally, you all really put a process in motion that changed the industry.

VS: De Beers was a major part in creating what is called the Kimberley Process Certification Scheme. Governments, trade, and NGOs, sitting together with everyone around one table and discussing how can we give the consumer more confidence? There is a certification process that has been developed so no diamonds, no raw material, can leave any country without having the certificate and if it has left a country without a certificate, it will be confiscated when it gets into another diamond market or another country that is in the Kimberley Process. That was really the first thing, and Kimberley Process is a great example where within an industry, you have the cooperation of governments and they're today over 80 governments that are taking part.

DR: In many cases when there is a messy social problem as opposed to a business problem, we look to governments oftentimes to regulate that for us. But De Beers took an active role in setting up a governance structure for this, a certification process structure that actually, it seems to me, put your fate more in your own hands.

VS: Yes. The second thing that De Beers did is, in '99 we had a strategic review. Out of the strategic review, there were four major workstreams. The first one and I think probably the most known to the world, is the change of the business model. Until the late '90s, the business model was very much supply-led business model, and, from the second half of 2000, De Beers has no more stockpile and it only works with its work-in-progress inventory, so that has been a big change.

The second one was taking the De Beers name and going into a joint venture with LVMH and creating a brand. So trying to show what would a retail jeweler look like and how can it create more demand with the consumers and doing it in a much better way. And we started investing in marketing which is much more focused about De Beers diamonds rather than just buy diamonds.

The third one was very much about costs, which shouldn't be surprising to anyone.

The fourth work stream was really all about looking at the environment, looking at the change in consumer demands and focusing on how can we actually ensure consumers get confidence when they buy diamonds, how do we make sure that we help them make the decision and know that they are spending their money on the right thing?

DR: Right. If you understand what consumers need and you need to think about, "How do we make this easy for them, how do I sell somebody something they know is not a conflict diamond?" Well you were bringing that regulatory process along. In some cases, probably even before the market knew what exactly the solution was it was looking for.

VS: Yeah, and I think quite a leadership act that De Beers took, but to be honest, with such a big market share, it was very important for De Beers to make sure the industry is in the right space.

DR: This was not a minor shift—you fundamentally re-scaled the business right?

VS: First of all, buying third party diamonds in the old business model, meant that De Beers really did the work for everyone in the diamond industry. When we did a strategic review it demonstrated that that business model wasn't the best way of running a business. But there was a time where it was still possible, and for other producers, it was, "De Beers is going to do the marketing, De Beers is going to pay me cash and worry about how do they sell the diamonds later." And we wanted to make sure that we are looking after our business first.

DR: I think while you were CEO, the movie, Blood Diamond, also came out. Did that affect your business, did you not pay attention to it? What was the impact there?

VS: Of course, it affected the business and it took a lot of our time. And we then looked at, "How do we make sure that we are moving forward?" The Kimberley Process was great, but how can we move forward and make sure that we give people the confidence that if they buy diamonds from De Beers, those diamonds are conflict free? Together with the World Diamond Council,

we've set a website that just had facts. "Where are there still conflict diamonds and how do you identify?", and so on and so on.

The second thing we did is, we've introduced a very clear and very important business practice principles to our business. Everyone that wanted to buy from De Beers, and still until today, wants to buy from De Beers, had to adhere to best practice principles, which include a lot of social benefits to employees, and no child labor, and no conflict diamonds and running proper finance.

We've also helped, there is a trade body that is called Responsible Jewelers Council, which is working with retailers with diamond companies, with producers with different parts, and they're actually giving, if you want, a sticker or a label that means if you'd adhere to the Responsible Jewelry Council, then not only De Beers is doing all the checks, but you've been approved by them. Tiffany, obviously when it buys from customers does its own checks, and Walmart do their own checks. Rather than a midstream diamond business needing to adhere to 20 different things, quite a few of them went under the umbrella of RJC. They still have to adhere to De Beer's Best Practice Principle, but it definitely, being an RJC member helps the big retailers take that as their audit checks on the social side of the business.

DR: It's interesting that your process is more about a constant situational assessment rather than a single fixed solution. It's built to be fluid.

VS: Yeah. Obviously, at the time, you don't necessarily think that you're taking it so much into account, but I think looking back it impacted each and everything I've done. Suddenly being in a world where it can turn in a minute into uncertainty and vagueness, and, it was just, how do we make sure that we keep on assessing where we are and how do we then respond? And how do I make sure that I remain updated and remain actually up to date and current? In my time as CEO, I had the blood diamonds and all of that, I had, 2008 with the question whether the world is going to fall to pieces and if in that case, would people continue buying diamonds?

DR: How did that impact you as a CEO?

VS: I think it made me sharper and it made me much more focused. It also turns me much more towards people. Because when you are in an environment where you get balls thrown at you right, left and center, you need to make sure that A, you have the right skills around you, and B, that you involve them. You can't pretend that everything is okay, so you have to involve them. Just finding the right level of making people feel included, making sure that they really understand, explaining some of the thinking in some of the decisions, and allowing people to innovate. Because there might just be people out there that know very well and that could come up with a better idea than you.

DR: In these interviews about leadership in the face of disruption, a recurring theme has been paying attention to changes, that could blow up your business.

VS: It's really about being able to think all the time about how can you reinvent the business and what can you do? Because in a world of disruptions it's just a question of time until someone targets your industry.

I always liked comparing it to looking at a diamond, because when you look at a diamond, you look at it through a magnifying glass or through a microscope. And it's really a question of when

you look at a diamond, there's a lot of seeing how much clean area of diamond there is and how would you get the best diamond out of it? And to me, it was a similar situation with the business.

DR: Varda, you mentor CEOs and Senior Leaders today—what do you take away from your experience with disruption into those discussions?

VS: Where do I start? The first one which I think is much more specific to what I've done, but it's right for everyone, is understanding the customer is the most important thing. And understanding that there are shifts. Customers are changing. Whether if you look at consumers, you now have millennials and they behave differently. If you look at B2B businesses, your customers are more sophisticated, they are more technology savvy. If you look at producers or governments as your customers, then they are looking for different things than they maybe looked 20 years ago. I think the importance of a customer to a business, and making sure that you as a leader understand.

There is also one thing around brand. What is the power of the business brand? And the importance of communications and PR. Make sure that even if you think you're doing the fantastic thing out there, are you sure that that's what other people think as well? Communicate, communicate, communicate.

And the last thing is that you really need to be able to reinvent your business. If you're getting too comfortable in your seat, and if you just think that things will continue as they are now and no matter what happens you're robust enough, you're bound to be surprised. Volatility, Uncertainty, Complexity, and Ambiguity, are here to stay. Even if you think everything is fantastic now, there's no guarantee that it will be the same tomorrow. Make sure that you're developing the muscle to work in this kind of world.

DR: Thanks for this, Varda.