

# Indian Management Practice – A Commentary

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*NOTE: This commentary has been developed based on general reports in the business press. Only a few are quoted as reference, in support of the thoughts in this commentary*

In the global era, we are increasingly witnessing the rise of the Indian Multi-National Corporation (MNC). The term MNC connotes operations across and in different countries. It is one of the different forms that cross-border operations take:

- The International Company, which trades across borders but with manufacturing facilities located in one country
- The Multi-National Company, which that spans countries with factories and subsidiaries but with central HQ mostly in a single country. Thus the country or origin is appended to the MNC (as we say later on in the commentary, the Indian MNC)
- The Global Company, which is a 'evolved' form of the Multi-National company operating as if the entire world were a single market, with close integration amongst various foreign subsidiaries without being closely held by the Group HQ. Philips is said to be one such global company.

These various cross-border forms arise because of super-imposition of economic activities on political realities. Economic activity primarily recognizes markets, but geo-political realities cluster and guard them within national boundaries. The formation of trading blocks like SAFTA or NAFTA is a regional attempt to free economic activities from geo-political considerations, though the success of achieving this economically boundary-less block is debatable. WTO attempts the same on a global basis, and all are witness to the struggles it is going through. Only a truly global political village will lead to a truly global economic village, thereby removing the distinction of the various forms of cross-border operations.

India's own economic and industrial growth has taken it through the various phases of cross-border operations. The closed economy era insulated us largely from cross-border influences, though Indian International companies were encouraged. That they were not very

successful could be attributed to their poor competitiveness with the open economy companies. When the Indian economy opened up at the start of the 90s, there was a natural influx of overseas MNCs into the country. But within a decade and a half, the phenomenon of Indian MNCs came into existence and today we can see the Tatas, the Birlas, the TVS Group, the Kalyanis, the Mahindras, the Kirloskars – venerable Indian names, along with more recent upstarts – all leading the Indian MNC charge. Arun Kottolli has posted on that net (1) that “Year 2006 will probably known as the year when Indian businesses & Indian businessmen emerged on the global map.... In total, Indian firms spent \$15.72 billion in 192 overseas acquisitions”. He expects this to double or even triple next year. No doubt these are early days, but the trend is evident.

Of course, while geo-political considerations have given rise to different forms of cross-border operations, they do not restrict the flow of ideas, particularly in the area of management concepts and practices (the same cannot be said of scientific knowledge which at times is said to be sensitive for national interests – say, in the nuclear field). However, the patent and copyright *raj* that is currently thrust on us globally, creates boundaries, not around countries but around individuals and corporations. Ideas are thus shackled for profiteering, rather than their irrelevance across national boundary.

In India there has been a lament going around for quite a while about Indian academics (and Indian companies) borrowing concepts and techniques from the West and the Japanese, rather than evolving theories and practices rooted in Indian reality<sup>1</sup>. It is a moot point whether the lament for something Indian is in order to be original (*swadeshi*), or in order to be relevant. The kinder assumption would be that the lament is for relevance. However, the new phenomenon of Indian MNCs adds an interesting twist to the situation. While in Rome, should we do as the Romans do or as the Indians do?

Today, Western models are said to lead our business strategic thinking, while the nuts-and-bolts operations are borrowed from the Japanese ethos. Indian academia has always lamented that Indian industry does not open its doors for studies that can lead to Indian management practices being built into a body of knowledge. Conversely, Indian industry has always felt that Indian management academics is too theoretical and not rooted in Indian reality. Thus both felt impelled to take the easier route i.e. transplant concepts and practices that were originated,

tried and tested elsewhere. (Writing in a different context (2), Imran Khan the erstwhile Pakistani cricketer, calls it our 'colonial hangover' – whatever works in the West will work here!)

One could argue that till the economy opened up, there was absolutely no scope (nor felt need) for breakthrough practices that could be converted to truly Indian management concepts. Its relatively recently that India has started climbing the learning curve of management practices, and it will take a while for our experiences to stabilize and give birth to original concepts (always assuming that the *nouveau* Indian industry will be more open to academic study!).

However, with the stunning arrival of Indian MNCs on the world stage, the question that arises is how relevant are their practices going to be in the Western (or Eastern) milieu. The venerable names mentioned earlier all have strong management practices, bordering on world-class, which have fuelled their domestic growth and cross-border conquests. In a lighter vein, one can say that they are equipped to do in Rome what the Romans do. For having supposedly been brought up on a management diet that was non-Indian, they should now be eminently equipped to do battle in the regions where their practices are relevant. But that is just scoring a brownie point in the 'relevance' debate.

The authors have had a chat with a couple of CEOs from the Indian MNC groups as to the challenges they face in cross border operations. Like in all joint ventures, mergers and acquisitions, the driver is the market and commercial considerations. The lag challenges are achieving operational compatibility and synergies (the analogy from the marriage scene is of 'I married her for money, now I'll work out how to live with her!'). The major challenges they seemed to feel are in compatibility of processes, values and culture.

Processes were the easiest as these have now transcended boundaries, and best practices are quite rampant across the globe. They are also 'objective' and lend themselves to intellectualization. (of course, process implementation or re-engineering does unleash forces of people issues, which may be linked broadly into 'culture' or 'ethos'). Technology, here, is subsumed in process and generally there are no major systems issues of adaptation.

Values are more difficult but not insurmountable. The 'Ethics-Values-Corporate Governance' movement is also quite global with the devil possibly to be addressed in the details. We think that Values (along with Vision) are also assessed broadly when acquiring an overseas

company, in a variation of 'due diligence'. The challenges are identified and can be tackled, albeit with effort.

It is culture, the CEOs felt, which is the greatest challenge. Due to historical reasons, cultures are diverse and heavily correlated to geo-political realities. If we go back to the discussion on relevant Indian management practices, possibly it is in the culture domain that the greatest differentiation is seen in management practices. Definitely the Protestant ethos must have shaped much of Western management thought, while Japanese practices are deeply embedded in their own ethos and culture. As Seshasayee (3) points out: "They perfected their own brand of mass manufacturing systems and shop floor practices, lot of it reflective of the Japanese psyche which is so different from the Western or Indian psyche." Ask any (or at least many) Indian and s/he will honestly confess that the Japanese methods are 'oppressive', but the Japanese have evolved in it as a fish evolves in water. Maybe Indian culture has not driven the management movement in India and so there is no distinct Indian management practice. At the best it may be there in pockets, but is not a movement or a body of knowledge

One may argue that it should be possible to bifurcate 'work ethic' from 'personal culture' and easily transplant 'work ethic' across the globe, but that would be an artificial and unsustainable divide. The interesting twist is whether Indian MNCs have actually benefited by not having strong Indian practices, so that they can easily adapt to the management ethos and practices they encounter in different lands<sup>2</sup>.

From the anecdotal evidence of the chats we have had with the CEOs, it looks like Indian MNCs are not having a great advantage due to absence of a strong Indian management. Because, despite not having any strong Indian management movement or ethos, there is still a mis-match with the acquired company that poses a 'change management' challenge. So, how do they meet this challenge? Again, anecdotally, there seem to be two or three routes

- Let the original management team and practices continue, within your overall policy. As Anand Mahindra said (4) when talking of acquisitions "we put a premium on a company where we inherit management". A variant of this can be seen in Ratan Tata's comment (5), when urging Indian industry to look for international acquisitions: "Indian industry ..... need to ask themselves why they should not be hiring globally, and not confine themselves to hiring Indians only,"

- Have a partial management integration by moving in your people in key positions to steer the ship, but essentially let the original culture and practices remain. Here is where Indians already schooled in other practices and culture come in handy
- Attempt a full integration by transforming your own practices and ethos completely to the acquired entity. This would lead to a full-blown change management and may also see a 'clash of cultures'. A write-up in *The Week* (6) points to some evidence in this direction: "... the Bhagvad Gita is replacing the Art of War by Sun Tzu as the new management text. A recent article in *Business Week* says: "This is a tribute to India's impact on the world of management practice." The article quotes 80-year-old Swami Parthasarathy advising hedge-fund managers and VCs in New York to 'balance the compulsion to amass wealth with the desire for inner happiness' "This route may still seem far away in the realms of contemplation for Indian MNCs. However, it is not improbable, as the Japanese have shown

Of course, all this would cease to be a problem when there is a global village, a global culture and a global mindset. This may possibly be a reality soon in the future. Already, with cultural ideas easily crossing land-borders via the electronic reach, one can see commonality of images (if not 'identities') across borders, at least among the youth who are the managers of tomorrow. Movement of people (at least professionals) across borders is also greatly facilitated nowadays. It may not be too long before what one thought of earlier as an artificial divide of 'work ethic' and 'personal culture' becomes a reality. (It may be too much to expect a global homogeneity of cultures without this divide). Jagdish Sheth, in a series of seminars to be held across India (from April 23 to April 25) is addressing precisely this issue. To quote from his brochure "In its true essence, global mindset entails far more than doing business internationally or owning foreign subsidiaries. Rather, it is a whole new way of life; a conscious effort wherein *the company's identity loses its country of origin and its resources, markets and investors become a fusion of cultures, processes and practices*" (note: the italics are of the authors in order to add emphasis)

So, will there be any takers for the 'Indian Management' debate in the future?

#### **Some of the references used in formulating thoughts in this commentary**

- 1) Arun Kottolli Blog: "Emergence of Indian MNCs"
- 2) The Hindu, Imran Khan, "Coaches Role Over-Emphasised", Friday, April 6, 2007.

- 3) Ashok Leyland India Website, CEO Speaks, Mr. R. Seshasayee, Managing Director, on “Winning World Class Competitiveness”
- 4) Business Line, “We need a new template for an Indian MNC”, Monday, Oct 30, 2006
- 5) Tata Group Website Article “Tata gets two awards for corporate governance and leadership in one day”
- 6) The Week, APRIL 8, 2007. Nivedita Mukherjee “From Germany to South Korea, Belgium to the US, Indian managers are global Inc.’s big catch “

**(Footnotes)**

<sup>1</sup> There is no denying the school of thought rooted in Indian ethos and management, with votaries like J B P Sinha, Chakravorthy and Maheshwari amongst others, but this is still not the mainstream of management as taught in Indian B-schools or practiced by Indian companies.

<sup>2</sup> The Japanese have proved the alternate route is possible – while in Rome, do as the Japanese do! They take their own ethos and practice to foreign lands and change the others to their ways, rather than adapt to the ways of the others