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DEVELOPING AN INDIAN GLOBAL MANAGER

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1. Introduction

There are many Indian managers already employed by the U.S. and European multinationals, and other global companies. Quite a number of them work outside India, including at corporate headquarters. Indiar global manager is not a new phenomenon.

However, the liberalisation policies initiated in July 1991 in India will take the phenomenon into high gear. As is well known, the liberalisation policies, among other things, provide for majority foreign equity in many industries, lower tariff levels on imports and exports, and partial convertibility of the rupee. They signify not only a sea change in the macroeconomic environment of business in India, but also in the need for developing managers who can succeed in an international market environment. The topic chosen by the Institute of Management Consultants of India is, therefore, timely and urgent.

There will be an increase in the demand for Indian managers from the multinational companies already operating in India and planning to increase their operations. Additional demand will emerge from global companies entering the Indian market after liberalisation.

Many Indian businesses ventured abroad, even before liberalisation, with manufacturing facilities and products. The exchange rate policies make the world markets attractive to many Indian manufacturers. As they explore and exploit the opportunities that are opening up, the demand for Indian managers capable of operating in an international market would increase.

As the liberalisation policies take root, the domestic market for many products and services would not remain restricted to Indian manufacturers alone. As manufacturers from beyond our borders enter our markets, the Indian manufacturers, even if they decide not to go overseas with their products, services or manufacturing plants, would have to develop managers who would know how to compete with international forces and protect their share in the Indian market.

2. Sources of Demand for Indian global Managers

It is, therefore, possible to look at the need for developing global managers in the current Indian context, from the point of view of three distinct groups of companies (excluding service industries). These are:

(i) Global companies already operating in India or new ones setting up manufacturing facilities in India,

(ii) Indian companies setting up manufacturing facilities abroad to more fully exploit their strengths and the new opportunities that have opened up, and

(iii) Indian companies protecting their share of domestic market that is in transition to becoming global.

This paper examines the need for global managers of these three groups of companies, the routes they might follow in developing them, and the difficulties they may face in doing so.

2.1 **Global Company setting up a manufacturing facility in India**

The global company entering India with a manufacturing facility moves from a position of strength in technology, managerial manpower, finance, and worldwide experience. The attraction of India besides its market, it is stated, is not so much the avilability of cheap or skilled workforce as the relatively plentiful supply of well-trained and experienced managers at an affordable price. The company would be looking for managerial experience in the Indian socio-economic and political context. With a minimum of expatriate personnel, the company can link its Indian facility with the manufacturing and managerial systems, strategies, and standards it employs at its other facilities worldwide. A typical company in this group is not only able to deploy Indian or other nationals it may already be employing worldwide but is also in a position to attract experienced Indian mangerial talent by paying an attractive pacakage of monetary and non-monetary incentives.

This scenario for the first group of companies, namely, the global company entering India with a manufacturing facility, does not imply that the company does not have a formal need to develop its Indian managers. The development needs of a company in this category would depend upon the parent company's strategy for its Indian facility. The parent company may assign to its Indian facility a relatively mature or well-understood product designed for specified markets. Or it may be more tightly integrating the Indian facility into its global manufacturing and marketing system. At this stage of globalisation of the Indian economy, I suspect that much of the interest of global companies in setting up manufacturing facilities in India would be of a type where the locus of operation of the Indian facility would be defined somewhat independently and modestly, though sharply.

This is specially likely in electronics and automobiles, where technological change and global competition have led companies to uncouple the various segments of the production process, namely, research, design, product development, manufacturing, and testing. Uncoupling was the response or global companies to the increasing intensity of research and development, on the one hand, and increasing demands from different countries for the location of industry and employment generation, on the other. In other words, global companies are able to locate different segments in different countries, based on cost and local market and competitive considerations without losing control of the production process. In their search for growth and profits, global companies in these industries have located different stages in different countries. Usually, the last stages of the production process and the sales and servicing functions are located nearer the point of consumption. Such a strategy would be effective only if the country's exchange rate and fiscal policies are sufficiently open. Now that the Indian economy is moving in this direction, it would reasonable to expect that global companies would examine India as a possible location for certain segments of the production process of different product markets.

An example in this category would be Tata Infosys Ltd., a joint venture of IBM World Trade Corporation and Tata Industries, to manufacture IBM-designed PS/2 systems to "IBM's demanding standards of quality and relilability," but basically for the Indian market. What does such a global company as IBM look for in selecting counterpart managers? Barry Lennon, General Manager, IBM, ASEAN region, says:

"Technical capabilities, the ability to manufacture and market our sort of products is one of the last criteria we look at when we are looking at venture partnerships. The first criterion is the degree of strategic fit and the degree of cultural fit. Is Tata going in the same general direction as us? Does it think and behave in pretty much the same way that we choose to think and behave? We found the answer to be yes."

How does the global company impart its pattern of thinking and behaviour to its Indian managers? "In charge of TISL's operations in India is Michael Klein, an IBMer," an industrial engineer with experience in setting up manufacturing facilities in Spain. In addition, Tata Infosys has drawn from IBM the services of a few senior managers of Indian origin, knowledgeable about IBM's work culture, manufaturing practices and strategies. Such managers can not only empathise with the Indian ethos and the managers, but also bridge with senior managers of other nationalities in IBM whether located in India or abroad. A pattern of thinking and behaviour is learnt on the job, tightly knit around selection, appraisal, training and promotion. Besides, TISL has attracted experienced senior managerial talent from competitors.

Another example in this category would be Maruti Udyog Ltd.'s proposed manufacture of YE-2 model cars with one-litre aluminium engines for both Indian and European markets.

Besides learning the culture of the global company, the Indian manager would have to:

(i) understand standards and processes for achieving global market quality, and their implications at the input, and at various stages of manufacture.

(ii) integrate effectively with the decision making hierarchy of the global company.

Effective integration with the decision making processes of the global company would call for an understanding of its strategy. The Indian company may only be dealing with a division of the global company. Depending on how the global company is structured, the corporate-divisional relations and the division-subsidiary relations can vary from one company to the other. An understanding of these differences and their implications would be useful for the development of the Indian global manager.

The global company would be able to provide supplementary training through its in-house training institutions, on-the-job opportunities, and traditions. The enormous literature and case material that have been developed over the last two decades on multinational and global corporations makes the task of formal training of managers for this group of companies relatively easy, whether taken up by the company's own training department or by educational institutions.

On a continuing basis, organisational conventions help in their development in a manner that cannot be replicated in training programmes. For example, it is normal for global companies to create forums for formal and informal interaction among managers from various countries. One of the jobs of divisional or corporate headquarters is to actively support the and facilitate the exchange of experiences and practices of their units in different locations. Besides exchange of technical or managerial practices, an attempt is made to develop an understanding, if not respect for the culture, dress, food habits, and values of managers from different countries. Such human understanding of each other helps in improving the effectiveness of formal communications. Supplemented by visits and long or short-duration postings, these corporate practices make for the development of a global manager, who is effective in any culture, as well as work with people from diverse cultures.

This category of companies may find that Indian educational institutions complement their own training efforts in a cheaper and more effective manner than alternative external programmes.

2.2 **Indian Companies setting up Manufaturing Facilities Abroad**

Several Indian companies, especially the large business houses of Tata and Birla, have been alert to opportunities in foreign countries. The removal of some restrictions on Indian investments abroad, and increased incentives to earn foreign exchange would encourage more Indian companies to think global in search of opportunities.

In a world of inter-linked open economies, a company which depends exclusively on one market may find itself unable to cope with competition from a global company which operates in several economies. More Indian companies can be expected to enter other economies for such reasons as well. As more Indian companies go overseas, the demand for Indian global managers would increase.

An example in this category would be Tata Tea Company's investments in the U.S. Tata Tea is not only competing with the global tea companies operating in India but has aggressively entered the U.S. and Russian markets, with manufacturing investments and tie ups with foreign marketing companies. With patents for processes for making instant tea from green tea and purchase of the Southern Tea Company of Atlanta in the U.S., Tata Tea was well set to collaborate with Tetely Inc., of the U.S. and to establish a joint venture in India, namely, Tata Tetely Ltd. Other examples would be Birla's palm oil plant in Malaysia, or Mysore Cement and Ranbaxy Laboratories' investments in Nigeria.

Some Indian companies can gain an advantage over their global competitors because of their ability to operate in countries with inadequately developed infrastructure, services and technical skills. As the number of companies going overseas increases, specialised programmes for developing managers in larger numbers would become necessary.

Indian companies setting up manufacturing facilities abroad draw on their own, managers who have been successful in the domestic market. The practice may receive organisational acceptability when foreign assignments are seen as steps to progress in one's career. To what extent, the practice has achieved results in the overseas business is not known. I am not aware of the extent to which they systematically scout for suitable talent among Indians settled in those countries or among local nationals. The extent of recruitment of entry-level managers for overseas assignments is small.

Several questions arise, therefore, with regard to developing the Indian global manager for this group of companies. To what extent would the culture, traditions and practices developed in the Indian environment be relevant to success in other countries, especially where consumers have greater choice than in India? Indian managers, especially the successful ones, have shown that they are capable of learning on the job about the adaptation that they have to make. However, it may be useful to sensitise them to:

(i) the people, the culture, business and other practices of the foreign country,

(ii) his strengths, that are particularly relevant in a foreign country, and more importantly,

(iii) the weaknesses that he should consciously overcome.

Besides, training programmes can help the Indian manager, going into unfamiliar countries and markets, to reconceptualise his job with a better understanding of the following in the foreign country:

(i) the consumer, the dealer, and the marketing practices,

(ii) strategies of competitors, both local and global,

(iii) country economic policies,

(iv) the timing and nature of potential threats from new entrants, new technology, or new policies,

(v) the culture that governs the behaviour of customers, employees, dealers, bankers and suppliers,

(vi) language and other skills to deal with local nationals,

(vii) the leadership required to develop a culture that puts giving value to customer its number one objective, through a better combination of cost, quality and product adaptation and by promoting team work with relevant people both within and outside the organisation, and

(vii) how to promote organisational learning.

The current training programmes available in the country are geared to foreign trade or to developing managers to domestic, or protected markets in a mixed economy. I am not aware of specialised training programmes that Indian manufacturing companies have developed for managers before they are posted to managerial positions overseas.

The focus of specialised educational institutions in this area have also not been geared to the needs mentioned above. An example is the one-year programme in foreign trade of the Indian Institute of Foreign Trade, for entry level personnel. Even in foreign trade, its curriculum has largely emphasised documentation procedures for an import-export control regime of an earlier era, than for training Indian managers to operate effectively in several open economies, whether in multi-domestic or global companies.

The International Management Institute has focused basically on training in management education, with courses in international management, in a short duration of ten months, again for the entry level. As a result, their programmes are more comparable to a compressed programme in management than a specialised programme for managers in international management.

The Nanda Committee which reviewed the IIMs in 1982 had emphasised the urgent need for courses and programmes in international management. Although elective courses have been developed for post-graduate programme students by the IIMs, especially by IIMB, the progress achieved in developing training programmmes in international management for Indian managers in India has been poor. The progress has been poor mainly due to a shortage of faculty and inadequate cooperation between industry and academia.

Indian companies which have recognised the need for training programmes, in general, and international management in particular, have been sponsoring managers to various schools in the U.S. and Europe. They do not see the need for specialised training in international management for an Indian manager. What they look for is good management training in prestigious schools.

To what extent can the foreign training programmes bring to bear the managerial culture or the current Indian context, problems and opportunities faced by an Indian company? Can management training be viewed merely as a technique, independent of the culture and behaviour of those deploying them?

As the approach of IBM to Tata Infosys showed, global companies increasingly view organisational culture as the key competitive edge. Can the Indian managers leave such an important weapon to random forces impinging on their managers? Or will they bring to bear the Indian ethos into their operations and gain a competitive edge, just as the Japanese brought a whole revolution in managerial thinking? Bringing in the Indian ethos is more than doing yoga classes. The Indian thinking and behaviour patterns have to be carefully studied and creatively mobilised in practice to the way organisational tasks are accomplished. If such opportunities are to be provided, contextually and culturally relevant materials and concepts have to be developed carefully and studied thoroughly.

The experiences of Indian companies going abroad have not been adequately documented, analysed, and conceptualised. The resources required for such an effort are enormous. The country's investments in this direction have been utterly inadequate. Perhaps they were not considered necessary in view of the inward orientation of government policies, which encouraged managers to focus on controlling agencies of the government and tax planning, and the general "pessimism" about India's capabilities in world trade and investments. With the change in the policies, the investments required have to be made.

The earlier tendency of being secretive of one's activities in general, and about foreign operations in particular, would have to change towards more open discussion of the problems, experiences and solutions. Such a change in our attitudes would pay rich dividends, as the signals in the more open markets would be fast and more sudden in coming. Companies which can respond quickly, systematically and with the long-term in mind would progress, create an image and pave the way for others. Without exchange of experiences and systematic analysis, proper lessons may not be drawn. One may perpetuate the endemic pessimism believed to be held about us not only by our overseas partners but also by ourselves. As every businessmen would know, favourable or unfavourable predispositions of stakeholders can make or mar a business, and predispositions are not developed by individual businesses alone but by the group as a whole, especially in foreign markets.

The needs of and expectations from an Indian global manager by an Indian company setting up manufacturing facilities abroad, are quite different from the needs of and expectations from an Indian manager of a global company setting up manufacturing facilities in India. The training programmes for the two groups of companies should also differ. The third group of companies face entirely different, and somewhat more difficult, situation.

2.3 **Indian Companies Responding to Global Competitors**

With the entry of global players on the Indian market, domestic manufacturers will have to respond to protect their markets and profits. The urgency for any individual company to do so would depend upon the unique skills and capabilities it can bring to bear in a competitive situation.

Two theoretical explanations given for companies becoming global are:

(i) search for least-cost locations, and

(ii) internalisation of markets, that are imperfect and high in transaction costs.

To what extent these are true in a particular product market, only an innovative competitor can tell. The domestic company competing with the global company must critically look for situations where the theoretical conditions are not satisfied or where developments subsequent to the location decisions have rendered such administrative arrangements of the global company inefficient.

In other situations, however, the domestic company is at a disadvantage in competing with a global company, if it does not span as widely in sourcing and/or marketing, or if it incurs high transaction costs in doing so. If the company is concentrating on unique segments, ignored by the global company as uneconomic or unattractive, it would have to be alert to when technologicl or competitive conditions would change. If it does not monitor the likely behaviour of the competitive global company, its niche may disappear.

The Indian company would have to examine each stage of production process (research, design, product development), and its sales and service network, from a competitive viewpoint. It is not to be assumed that the Indian company is necessarily weak in any or all segments. While the earlier environment allowed, and indeed encouraged, integration of all stages by each company, even at the cost of some efficiency, the new situation tends to expose the inefficient segments for competitive onslaught. The new environment requires, therefore, that the Indian company not only examine its operations in this light, but also develop creative organisational arrangements for overseas markets for survival.

The examples in this category again come more easily from the electronics and the automobile industries. DCM Data Products and Wipro Infotech would be examples of hardware manufacturers in the electronics industry.

The Indian manufacturers would have to develop an understanding of customer behaviour under conditions of increasing choice and technological improvements. Besides, they would have to develop an ability to spot the best possible source globally for each of their inputs. That would require not only comparative information on sources, Indian and international, but also an ability to judge a combination of factors — quality standards and norms, that may be different for different sources, exchange rate fluctuations and costs, reliability, legal and short-term contractual agreements versus long-term relationships.

Can the companies in this category develop adequate numbers of managers to undertake such strategic evaluations and implement the changes required? In giving such a global perspective to their managers, the companies in this category would have to overcome many hurdles. The biggest one is with regard to the culture or the habitual modes and practices developed for a different era. Can the companies in this category attract experienced managers from competing global companies in adequate numbers to bring about a change in their organisational culture? Or would they be able to create opportunities internally for developing appropriate skills, attitudes and changes in the practices of managers?

Companies in this category, typically do not have the supporting educational infrastructure for training managers to face internationally competitive conditions. There is not also enough case material or other experience that has been systematically developed for training such managers. The problem is particularly acute for public sector organisations. Many companies, such as BEL or ITI, have developed good technological and other strengths. They have also developed difficult-to-overcome organisational weaknesses such as in the BPE guidelines for personnel and industrial relations. Lack of customer responsiveness, and inexperience in worldwide sourcing or in operating in a changing exchange rate environment are other hurdles. A large effort is required in mounting programmes for managers in these companies. The task has to be undertaken on a large scale as these companies also run the risk of losing some of their managers to new competitors in the private and multinational sectors.

A serious obstacle to developing managers for this group of companies is the loose link between selection and promotion of managers to organisational performance. In such situations, training programs tend to be viewed more as activities to be completed than as aids to improving performance. Appropriate changes in organisational structures, control and performance appraisal systems have to be undertaken in conjunction with training. Management trainers and consultants should view the opportunities in this category of companies in more comprehensive terms, if at all any meaningful results are to be achieved.

3. <u>**Indianness of the Global Manager**</u>

It is to be expected that any company would want to minimise its incremental investments on recruitment, training and development of managers. This is easier for the global companies that want to operate in India than for the Indian companies going abroad or for the domestic companies gearing themselves against international competition.

India could become a source for scarce talent such as in computer software, engineering and research and development. The effect on the units that lose such scarce resources and on those that have to compete afresh for them would be severe. The business interests and abilities of the global company and the career motivations and opportunities for the individual manager meet to strengthen the flow in a direction that is favourable to the global companies.

The experiences of Japan and India make an interesting contrast. In Japan, there is congruence in the nationalistic policies of the government and cultural traditions of its people. The nationalistic policies of the government, therefore, translated effectively into the thinking and behaviour of the individual Japanese, whether in industry or in the ministries; both were trained in the same schools. The spiritual and cultural traditions of India, on the other hand, encourage a global perspective in an individual's relations with others. There have been immense contradictions, therefore, in the nationalistic policies of the government and the global and market-oriented thinking and behaviour patterns of the individual Indian, whether in industry or government. This again would strengthen the flow of Indian managers towards the global companies.

However, while there are pressures on companies to become global in their operations and perspectives, the global socio-political environment they have to operate in is becoming narrower, parochial, racist, and violent, as recent events in France, Germany, and the United States and the general perspective of advanced countries on immigration laws show. What role and achievements, the Indian global manager strives for in such an environment remains to be seen.