

MANAGING CORPORATE CULTURE

Leveraging diversity to give
India a global competitive edge



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Confederation
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Preface

This examination of Indian management culture originated in a conversation in New Delhi between Dr. Harald Simon, Partner, Roland Berger & Partners, and Tarun Das, Director General, Confederation of Indian Industry, in October 1997. They agreed that an intensive examination of the elements of continuity and change in the way Indian business enterprises operate would be of value at the present time. It would map the scene after several years of Economic Reforms as well as suggest future direction.

The project was implemented in 1998, jointly by CII and Roland Berger International Management Consultants, New Delhi, with extensive support from Roland Berger & Partners, Munich. This CII-Roland Berger project (hereafter called the 'Survey') is to be integrated eventually into a global study currently underway, covering major regions of the world. Initial data from East Europe is now available, and has been incorporated in some of the comparisons. It has been based on the methodology developed for an earlier study covering five European countries—France, Italy, Germany, Spain and UK—which was published in 1993. This work went on to win the *European Management Book of the Year* award for that year.

The post-1991 Economic Reforms in India have made this study timely. Objective business framework conditions have undergone radical transformation. Corporations and other business entities are confronting

unprecedented change, and need to adapt, not only to sustain profitability but to even survive in the new circumstances. After three years of rapid growth, the Indian economy has slowed down since early 1997. This has coincided with a period of short-lived governments, and the resultant loss of momentum in the pace of Reform. The Asian economic crisis and the external pressures resulting from the nuclear tests of May 1998 have also impacted adversely on the economy. The level of predictability and confidence in the economic policy is, from the perspective of external partners, currently low and this has compounded the critical issues for business. Short and medium-term anxieties dominated the business mood in 1998/1999.

India has traditionally had great interest in comparative culture studies, and the Survey engaged the willing cooperation of a number of senior business leaders. The direct inference is that one of the prerequisites for successful internationalization—receptivity to change—exists in abundant measure in the country. Moreover, in an era of globalization, successful management requires cultural competence and the precondition for this is objective knowledge of one's own culture and of foreign cultures. Inter-cultural know-how includes an understanding of strategic and organizational concepts, as also of motivational and communications behaviour. The management of inter-cultural differences is a prerequisite for optimal results from globalization.

The goals shared by the two sponsors in carrying out the Survey were:

- to comprehensively map Indian management culture and to gauge the existing situation, at a time when unprecedented change is confronting corporate India,
- to juxtapose the Indian scene with European and other global practices, to make comparisons and to enable Indian as well as international managers to benchmark their own practices,

- to identify areas of potential synergy and conflict between Indian and other management cultures, to identify the areas in which Indian managers could consider supplementing or modifying their own systems to lower inter-cultural barriers in a globalizing economy, and to enhance competitiveness,
- to provide foreign enterprises looking at business opportunities in India with a road-map of Indian business culture.

The Indian Survey was based on 26 interviews carried out between January and June 1998. Profound thanks are due to the 15 chief executives and 11 other senior officials, representing 24 enterprises, who participated in the Survey, giving their valuable time and support. The participant companies are shown in Figure 1.

From this nucleus of initial interviews, the discussion platform was widened step by step in concentric circles. The companies covered were spread over all industries, regions, ownership types and sizes. Nevertheless, the group could not be entirely representative of the general corporate population, and the Survey was deliberately target-group oriented.

The aim was to secure a variety of opinions from leading enterprises at the level of CEO and senior managers. The questionnaire consisted of both closed (numerical) questions and open (descriptive) questions, and equal weightage was given to all the responses.

All the criteria covered in each question were analysed based on the Roland Berger & Partners methodology that has been specifically developed, and has been utilized and fine-tuned based on the international study. In the interpretation exercise, there was integration of internal and external views, thorough analysis and interpretation workshops and discussions with experts, including

Industry Size (crore)	Diversified	Automotive	Basic commodities	Consumer goods & textiles	Capital equipment	Financial services	Telecom/IT
> 3500	<ul style="list-style-type: none"> Larsen & Toubro 	<ul style="list-style-type: none"> Bajaj Auto 	<ul style="list-style-type: none"> Tata Iron & Steel Indian Petroleum Co. Ltd. Oil & Natural Gas Corporation 	<ul style="list-style-type: none"> Hindustan Lever 		<ul style="list-style-type: none"> State Bank of India 	
1000-3500	<ul style="list-style-type: none"> Godrej & Boyce Murugappa Group R.P. Goenka Group 	<ul style="list-style-type: none"> Mico Bosch 	<ul style="list-style-type: none"> Hindalco 	<ul style="list-style-type: none"> Piramal Group 	<ul style="list-style-type: none"> Crompton Greaves Asea-Brown Boveri 		<ul style="list-style-type: none"> Bharat Electronics
< 1000	<ul style="list-style-type: none"> ITC Triveni Group 	<ul style="list-style-type: none"> Eicher Group Mandap International 	<ul style="list-style-type: none"> Mukand Group 		<ul style="list-style-type: none"> Radiant Industries Titagarh Industries 		<ul style="list-style-type: none"> Infosys Technologies

Public sector units

Figure 1: Companies Covered in the Survey

academic personalities. The goal was to optimize interpretation security.

Once preliminary results were analysed, intensive discussions were organized by the CII with select academicians and business personalities to review the emerging conclusions and to receive feedback for integration into the study. Sincere thanks are offered to the participants in this interactive dialogue.

From an Indian perspective, the results of the Survey provide an image drawn jointly by those who are part of the ethos of the country and those located outside. The comparisons with Europe also have the incidental advantage of adding to the Indian knowledge base. This is of value since continental Europe is not very familiar to Indians, though it is often assumed that it is. From the standpoint of foreign businessmen, the placement of India within the global comparisons has the added value of generating credible and quantified information on India. All too often, global studies of this kind tend to overlook India, or provide only sketchy data. This book should help in improving awareness of India as a facet of the two-way globalization process.

The Survey covers five principal areas of corporate functioning as shown in Figure 2:

- **Strategic orientation.** Prior to the Reforms of 1991, production was paramount. Competition has now forced corporates to concentrate on strategy, centered around their own individuality. Focus is shifting to building strength and reviewing diversification.
- **Organizational development.** Paternalism and the mentor syndrome have lent stability to Indian business, but at the cost of efficiency. Yet, cultural diversity has been a strength. Family business, in different ways, is now moving towards professionalism and decision-making patterns are also due for change.

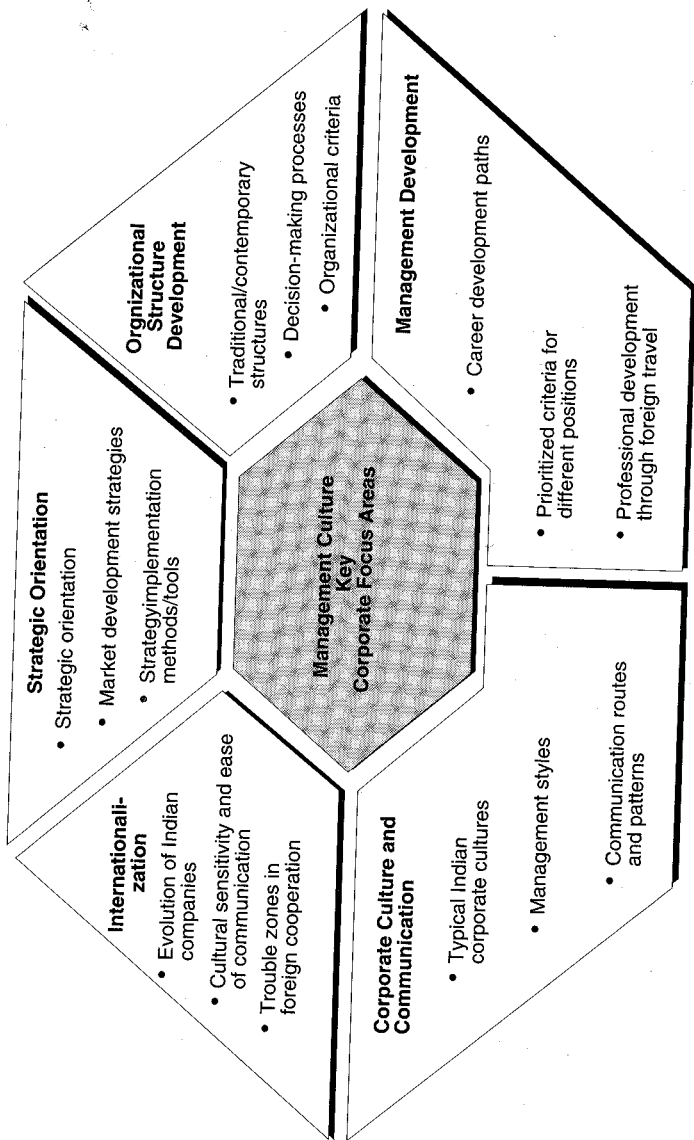


Figure 2: Focus Areas of the Survey

- **Management development.** The issues are to bridge the leadership gap and to develop the management cadre in a comprehensive, systematic and integrated framework to meet the requirements of middle and top management.
- **Corporate communication.** Currently, the management style is mostly non-entrepreneurial and few companies have worked to develop a distinctive personality. Corporate communication is fragmented and not utilized for organizational transformation.
- **Internationalization.** Indian business' view of globalization is primarily positive, but not necessarily proactive. There are strong external partnership preferences, mainly influenced by proximity to the English language. But external cross-cultural understanding is low.

The final chapter attempts to depict the trend-path of corporate India, and how proactive, holistic action can accelerate economic growth. This may be called the Agenda for Corporate India 2010.

This book is aimed at business readers within and outside India, as also towards the general reader. Based as it is on a Survey which was intensive and focused on CEOs and top management, and since it incorporates comparisons drawn from wider studies in other countries, it should also be of value for academic studies in business schools.

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