



The TIES THAT BIND

INDIAN BUSINESS: INDIAN STYLE To what extent has management become an homogenous commodity in our joined up world? And what space is left for the cultural nuances of the country in which it is practised? Ruth Le Pla looks at management Indian-style.



New Zealand business folk puzzling over the Chinese market on the map may want to turn their heads slightly to the left. For India offers opportunities on a scale more than juicy enough for any Kiwi corporation. Confronted with a linguistic smorgasbord of over 400 local languages, India long ago plumped for English as its lexicon of business. More to the point, unlike China, India's commercial, justice and education systems all draw breath from the same British foundations that form the bedrock of business behaviour in New Zealand.

Interestingly, British author Will Hutton in his latest book *The writing on the wall* may be focusing on China but he cannot resist segueing into praise for India's heritage. It's a heritage which bears fruit today in a tightly-woven pattern of cultural mores, familial ties and clanishness, deep analysis, hard bargaining, rapid debate and some blunt questioning.

India's argumentative tradition, as Hutton points out, can be traced back to the Rig Veda, the country's oldest sacred text, which questions the very existence of a divine entity.

"This tradition combines with the British-style legal system to give India strong justification and accountability processes," says Hutton. As a result, he notes, India's corporate governance is among the best in Asia. In a survey by the *Far Eastern Economic Review*, India had more companies ranked for their leadership than any other Asian country.

Now, 70 years after independence and 16 years after economic liberalisation, the country is muscling up its connections with international markets.

It's not doing too badly. The latest World Competitiveness Scoreboard from Swiss think-tank IMD, shows India resting comfortably half way up its list of 55 countries. Nestled between Chile and France, at 27th place India looks a whole lot more secure than it did just four years ago when it chugged in at number 42. (For more IMD analysis of India's performance

see the box stories "How's it going?" and "Warts 'n' all".)

While India is carving out an international style of business, management and governance it is also keen to identify and preserve its own cultural flavour.

In management circles, the process of crafting this Indian style has been championed for some time now by professor Arindam Chaudhuri, dean of the Centre of Economic Research & Advanced Studies at

from this environment he gets a shock when he sees the job environment practising American philosophies. He is not able to adjust productively to this cultural mismatch and very often fails to be as productive as his Japanese or American counterpart."

In Chaudhuri's mind, Indian managers would be wise to strengthen the softer, humanistic side of their interactions with staff, demonstrating company concern through regular training programmes,

HOW'S IT GOING?

When Swiss think-tank IMD released its latest World Competitiveness Scoreboard recently, India ranked a very respectable 10th for economic performance. New Zealand was a dismal 40th. India scored 19th for business efficiency, tailing New Zealand by just one place.

Government efficiency, or rather a lack of it, continues to inhibit Indian business. Tax evasion, political interference in the public service and restrictions on foreign investors wanting to stash their cash in domestic companies remain problematic. So does India's ranking on IMD's scoreboard which, at number 33, languishes in the bottom half of the table. New Zealand scored a saintly sixth place.

Worse still for India, its notoriously poor infrastructure still darkens the business climate. As a recent McKinsey report notes, solving India's infrastructure problems will require determined political leadership, deft policy making and strong national regulators. Not to mention some big bags of swag.

This is a long-term problem in need of a long-term fix. So India's dodgy ranking at number 50 out of IMD's 55 countries carries little surprise.

New Zealand's creaking infrastructure, for the record, came in at 23.

the prestigious India Institute of Planning & Management in New Delhi. Chaudhuri's "theory 'i' management" argues for India-centric management ideas with global applicability.

"India needs," he says, "to remove the dichotomy where on the one hand we keep harping about our culture and its strengths and on the other hand we overlook this aspect completely when it comes to managing our people."

Chaudhuri believes the American, contractual, hire-and-fire style of business chimes poorly with Indians who value bonds, emotions and long-term relationships.

"An Indian grows up in a system where family ties and a sense of belonging get an absolute top priority," he says. "Coming

family welfare schemes and consultative decision-making processes.

"The sad part is that successful Indian managers who have developed indigenous styles of management don't end up theorising their styles and propagating them through books or articles," says Chaudhuri.

"In the US, almost every semi-successful manager ends up writing a book and thus today one knows how IBM is managed but one doesn't know how an Indian corporation such as the Reliance Group is managed. So when it comes to learning management the only option is to refer to foreign books and learn foreign management styles."

Such so-called foreign management styles may well linger a little longer in some



Prashanta Mukherjee



Barin Das

include business giants such as Integral Coach Factory (ICF) which makes a cool half of India's railway coaches.

Employee numbers at these SOEs can run into the hundreds of thousands – and, for some, as many as tens of hundreds of thousands. Despite more than a decade of reforms, says Mukherjee, many of these SOEs remain bureaucratic in style and cling to decision-by-committee processes.

“EVERYTHING ELSE BEING EQUAL, FRIENDSHIP WILL TIP THE BALANCE IN BUSINESS DECISION-MAKING” – Prashanta Mukherjee

These SOEs are the last bastion of the military command and control leadership style left over from the days of the British civil service in India.

Paradoxically, notes Mukherjee, the high level of job security in India's SOEs means managers are more likely to take business risks if, where and when they can. Employees are also treated to lavish welfare schemes that mean it is not unusual for even an ordinary employee to be sent overseas for medical treatment.

Then there are the large publicly listed companies such as the 28 enterprises from the mind-bogglingly huge 96-company Tata Group which collectively employs some 2.46 million people. Or biotech company Biocon which is run by one of India's leading business women Kiran Mazumdar-Shaw who built the company from scratch.

Or the UB Group, run by Vijay Mallya, who has been described as India's answer to Richard Branson and who happily balances airline and beer businesses.

These listed companies endeavour to follow international best practice management and western style corporate governance.

So it is the third and fourth of Mukherjee's business categories where Indian management styles come to the fore. These

are the large clump of privately held – often family owned – big businesses and the huge number of SMEs which dot India's corporate landscape.

Here, paternalistic rather than participatory management runs the show. “Even when family owners have appointed professional managers, the CEO is in an interesting position,” says Mukherjee. “They have to really read where the owner's mind is.”

Family loyalty may override merit. Even when senior managers are actively involved in decision-making there is much less emphasis on employee development.

Indian-born marketing executive Barin Das has a slightly different take on how to slice the Indian corporate landscape. Before moving to New Zealand four years ago, Das – who now handles special projects for New Zealand's Steel & Tube Holdings – had already carved out a career in India's steel business on the back of an MBA from one of India's elite business schools, the Indian Institute of Management in Calcutta.

According to Das, the nation's true characteristics shine through in its listed companies. India's owner-driven businesses and the multinationals operating within the country's boundaries reveal little that delineates national traits.

However the demarcation lines are drawn, it is true to say that criss-crossing the business landscape is a network of social threads as old as India itself and, for foreigners at least, just as mesmerising. Take the notion of clanship, for example, which Mukherjee says underpins business interactions and drives relationships. Rooted in the cultural mores of an individual's home state, clanship tempers and

permeates business behaviour. It fleshes out predominant values so that a group of Bengalis, whose values centre around peacemaking and the concept of "bhad-dorlok" or being well-mannered, will tend to shy away from sparring in public and prefer low-risk, conservative business options.

Compare that to the behaviour of people from the south who hold education in particularly high esteem. "In a corporation that is significantly influenced by a southern culture," says Mukherjee, "a highly educated person would probably pull above their rank so people make it clear what their educational status is."

Ditto cultural differences in the north of India where, influenced by the political environment of New Delhi, fast decision-making and the practice of gift-giving, or reciprocity, hold sway.

The concept of reciprocity is not, of course, restricted to the north. Mukherjee describes it as a system that covers the spectrum from "helping out" to "something on the borderline of ethics".

"You may help a new company that is just starting out by not charging it for some business. Twenty years later when that company is doing well it may help you even if that doesn't make business sense."

Family ties, school connections and personal friendships cut across all such business behaviours, says Mukherjee. "Everything else being equal, friendship will tip the balance in business decision-making: and even, sometimes, if everything else is not equal."

Paul Hunt, a New Zealand-based business development advisor for Indian technology company CMC, knows firsthand how some of the nuances of Indian management styles play out from a Kiwi perspective. He also believes that the typical laid-back Kiwi style of management and doing business cannot survive on the world stage.

Nowhere is this more obvious than in negotiations, he says. "Indians have been

WARTS 'N' ALL

INDIAN MANAGEMENT PRACTICES: POSITIVE STUFF

| Criteria | How India ranks in a line up of 55 countries | New Zealand |
|--|--|-------------|
| The need for social and economic reforms is generally well understood | 7 | 30 |
| Flexibility and adaptability of people are high when faced with new challenges | 9 | 8 |
| Attitudes toward globalisation are generally positive in your society | 10 | 19 |
| Adaptability of companies to market changes is high | 15 | 20 |
| Entrepreneurship of managers is widespread in business | 16 | 17 |
| Credibility of managers in society is strong | 17 | 16 |
| The image abroad of your country encourages business development | 18 | 13 |
| Corporate boards supervise the management of companies effectively | 18 | 8 |
| Corporate values take into account the values of employees | 19 | 10 |

INDIAN MANAGEMENT PRACTICES: ROOM FOR IMPROVEMENT

| Criteria | How India ranks in a line up of 55 countries | New Zealand |
|--|--|-------------|
| Health, safety & environmental concerns are adequately addressed by management | 34 | 4 |
| Ethical practices are implemented in companies | 30 | 2 |
| Shareholder value is efficiently managed | 28 | 18 |
| Auditing and accounting practices are adequately implemented in business | 26 | 2 |
| The national culture is open to foreign ideas | 26 | 10 |
| Social responsibility of business leaders is high | 25 | 2 |

Source: IMD World Competitiveness Yearbook 2007. www.imd.ch/wcc

negotiating for centuries while we've been doing it for five minutes in comparison."

India's culture celebrates strong and often lengthy negotiations and a keen focus on number crunching. "Know your argument and your fall back position," Hunt advises, "rather than winging it."

Above all, be patient. That, it seems, is a very Indian trait. As Das points out,

4000 years of history have taught many Indian business folk to soak up the best of the best. "It's not a rigid impervious culture. It has the ability to pick up on what is good." **M**



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