



An Innovative Study of Indian Management

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Abstract: In 1990-1991 the Indian economy took significant steps from a socialist to a market economy fundamentally changing the traditional face of the Indian business environment. Similarly, the economic liberalization triggered fundamental changes in management practices in India. Whereas traditional Indian management practices are well described in the literature, and emerged as a unique management approach due to idiosyncratic conditions that existed over the last century in the traditional Indian environment. This research contribution is the first to throw light onto the emerging contemporary Indian management style. Based on six case studies of family-owned and multinational companies with a total of 36 interviews, we found that Indian managers tend to value relevant educational background and experience higher than caste belonging for employment decisions. Furthermore, Indian managers tend to display medium to low levels of nurturance for subordinates and tend to increasingly incentivize subordinates by non-monetary development opportunities. A participative management style tends to be appropriate in the contemporary Indian environment.

Keywords: Unique Management, liberalization, professionalism, submissiveness, paternalistic values.

Introduction

During the years preceding the liberalization of the Indian economy, companies faced limited competition – in some cases benefiting from a de facto monopoly position due to state protection. In this traditional environment, a distinct management approach evolved. As a result of the liberalization of the economy in 1990-1991, however, managers at all levels are today facing the challenge of global competition on home grounds. The substantial increase in competitive pressures has forced managers to increasingly focus on adopting novel management practices to foster increasing professionalism and increase efficiency and effectiveness.

Whereas traditional Indian management emerged as a unique management approach due to idiosyncratic conditions that existed over the last century in the traditional Indian environment, the current Indian management gestalt is a recent phenomenon which evolved only after the liberalization of the Indian economy. Our research therefore explores the interactions of the changed environment with management practices and rediscovers the gestalt of contemporary Indian management. An understanding of contemporary Indian management is vitally important both for multinational companies seeking to enter or operate

in the Indian economy and for Indian businesses seeking to transform into competitive companies in the transitioned Indian economy. At the same time, an understanding of Indian management extends and adds-on to academic knowledge and brings the research area to the forefront of recent developments.

Family-owned businesses have accounted for the lion's share of India's GDP and market capitalization for the last 30 years and were therefore a substantial driver of economic development and the development of the traditional Indian management style. After the liberalization of the economy and the resulting increase in global competition, however, the challenge for family-owned businesses is to transform from a traditionally operated business to a professionally managed organization. The change of the business context, accordingly, makes the introduction of a modern and competitive management style necessary. Attracted by market potential and opportunities in a liberalized Indian market, an increasing number of multinational companies either entered the Indian market or intensified their engagements. Multinational companies importing Western management practices, however, face employees' expectations oriented towards traditional Indian management and culture.

Literature Review

The first definition of the elements of management was brought forward by Henry Fayol suggesting that management is a set of activities of planning, organizing, leading and controlling. Mintzberg focuses more on organizational and behavioural definitions of management, stating that management is a set of managerial roles: interpersonal roles, informational roles and decision-making roles. Mullins suggests that management is implementing assignments with and through other people via planning, organizing, leading and controlling. Since we seek to explore contemporary elements of Indian management, we take a rather broad perspective following Mullins.

Given the great diversity of languages, sub-cultures and religions, it is difficult to characterize one common traditional Indian culture. Nevertheless, the literature highlights some attributes and common elements of Indian culture that tend to shape traditional Indian management. In addition to the cultural elements, there are three major socio-economic forces that traditionally influenced work values, work behaviour and traditional Indian management, namely the caste system, the British colonization and post-independence socialism. The most significant cultural attributes to influence traditional Indian management are fatalism, submissiveness, clan orientation with in-group-out-group distinctions and power consciousness. In India, human nature tends to be considered unchangeable – the theory of karma. In line with karma, being born into a higher or lower caste is based on actions in previous lives. Underlying orientations towards collectivism, hierarchy, paternalism and ascendance of the in-group, there was traditionally a tendency to accept status inequality, supervisory-subordinate reciprocity and dependence at the work place. Behaviour displaying conformity, dependence, and seeking approval were traditionally valued and rewarded over those showing initiative, creativity and independence. An individual was traditionally expected to subordinate his wishes, needs, desires, and aspirations to those of the family. The family, not the individual, was considered as the unit of the social system. In the course of time many aspects of the traditional family system got transferred to the industrial setting, and consequently traditional culture was manifested at the work place.

As a result of the cultural conditions and the socio-economic forces in the Indian society, the traditional Indian management included a high willingness to delegate, possessiveness towards subordinates, fear of independent decision-making and resistance to change. Nepotism and caste considerations affected selection and compensation. Managers traditionally tended to display a high level of personal involvement with their subordinates extending into their personal lives. Such a high level of personal involvement was expected by the subordinates and seen as part of being taken care of by the managers. A high degree of personal involvement of both the subordinate and the superior in management is therefore required. Traditionally, training to improve the skill set of employees was less emphasized.

The change in the Indian environment and the liberalization of the economy making it more receptive to international and domestic competition puts strain and tension to the traditional Indian management style as it is in many respects in conflict with the rules and conducts of a globally competitive economy where relationships are based on competence, impersonal task roles, organizational commitment and professionalism. The change in contextual factors leading to the evolution of a new Indian management style is so far under-researched due to the fact that it is a contemporary phenomenon.

Methodology

The literature review demonstrates traditional conditions in India and the resulting traditional Indian management style. The impact of recent environmental changes on Indian management is complex and multidirectional, which induces that propositions or hypotheses cannot meaningfully be derived. The lack of substantial analysis on the transformation in management style in preceding literature made us choose a methodology that allows both an exploratory and an explanatory analysis. Explanatory elements of cause and effect require an in-depth study with close attention being paid to contextual factors. To account for the complexity and multidirectionality of the context, our research methodology needed to enable us to build a construct with an open mind. We conducted six case studies following analytic replication logic along family-owned businesses and multinational companies, since the environmental interactions of

the two types of companies are different and since such interactions shape management practices, with three literate replications respectively. Data was collected from managers of different organizational levels – mainly senior management and managing owners. The interviews were conducted in Karnataka, India, and in Maharashtra, India, in April 2003. Interview partners were selected both based on management experience and - since the study is exploratory - on availability. Interviewees were asked to comment on professionalism, sources and modes of conflict, acquisition and retaining of skilled personnel and leadership. The within-case analysis was partly grounded in the work of a group of students, who participated in a course conducted both in Switzerland and in India as mentioned in the acknowledgements. The authors conducted 15 semi-structured interviews. The other 21 semi structured interviews were conducted by the students and were studied by the authors based on the interview transcripts and the analyses done by the students. The within-cases analysis was used to let the stand-alone concepts from each case emerge before patterns of cross cases were explored by the authors.

Findings and Discussion

Family-Owned Businesses Evolving Context

The liberalization of the Indian economy released strong competition for many family-owned Indian companies as multinational companies either entered or augmented activities in the market. The opening of the economy forced changes to take place in family-owned businesses. The increase in competition triggered family-owned businesses to transform into more professionally working organizations. Family-owned businesses no longer only compete for customers and market shares, but also for highly skilled employees rather than employees belonging to a certain caste. Multinational companies have fewer problems attracting competent and experienced professionals as well as top graduates as they can offer attractive career paths to the recruits. Family-owned businesses have a reputation to prefer family members before other employees for promotion, which makes them less preferred by recruits.

As the Indian market has become more dynamic due to greater competition, customers are better educated and more demanding. Customers are

ready to change their suppliers rapidly as soon as they get a better offer elsewhere. As a consequence, family-owned businesses are putting more emphasis on product and process innovation as well as increasing their service levels.

Contemporary Indian Management

With growing competition from professionally managed businesses, family-owned companies are left with no other option but to raise employee requirements and to hire professionally educated employees. Similar to raising qualification standards of employees, family-owned businesses engage either fully or professionally educated management teams or, if family members are actively involved in the management of the company, they are truly qualified. As formal employee requirements increase, the relevance of belonging to a particular social group or caste is decreasing. The caste system, which played a significant role on the workplace decades ago, seems to have lost much of its importance in employment decisions. Most of the managers affirm there is no caste discrimination. It should be noted that our case sample includes only businesses operating in an urbanized environment. For organizations operating in rural areas the role of caste belonging might be higher. Increasing professionalism seems to play a major role behind this change.

The leadership style traditionally employed in India fostered an emotional bond between superiors and subordinates. The feeling that the company genuinely cares for its employees, provided a strong bond of loyalty that went beyond financial rewards. Family-owned companies, due to their size and structure, have a strong tendency to create a nurturing environment for their employees. Such a nurturing culture has for a long time replaced the need for high financial incentives. This specific culture of a family-owned business is often anchored within the personality of a charismatic leader. Our cases show that the significance of the company leader for employees was widespread. The leader assumed the figure of a father on the workplace. Due to the comparably small size of family-owned businesses, motivational aspects and rewards have traditionally not been connected to career opportunities and financial compensation. In recent years, however, competent employees have started to constantly be on the lookout for better

career opportunities. Employees do no longer feel a strong bond of loyalty towards their employer as was the case in the past. In less developed rural areas of India, the traditional mindset of having one employer for life is still widespread. However, in urban areas, the trend is developing towards faster turnovers. Employees take advantage of high quality training with leading family-owned businesses and, once the training is completed, they leave the company to work for multinational organizations that require work experience or previous training. Family-owned businesses are used as springboards for personal career development.

The pressure to adjust wages upwards has become great. A nurturing organization is no longer enough. The traditional rural model of caring for one's family is gradually being replaced by the material ambitions of a growing middle-class. Traditional paternalistic values of dependence on one's company and on one's superior subside and fade away, being replaced by individual priorities and ambitions. Human resource management practices have traditionally not incorporated laying off people since it was not an accepted business practice. In recent years this perception has changed. Companies are now required to rationalize and to cut down costs to remain competitive. The cost of non-performers can no longer be borne by the company. Workforce mobility prompts companies to professionalize and streamline their human resource systems. Efficient use of human resources becomes a priority for family-owned businesses employing highly qualified workers. Incentive systems, performance-based compensation, training and professional recruiting are increasingly used as part of management practices in family-owned companies. Increase in professionalism of human resource systems also implies a de-personalization of the relationship between the worker and the manager.

Conclusion

A number of implications for practitioners follow from our propositions: Companies operating in the Indian economy are likely to benefit from implementing a participative management style, which will tend to result in higher levels of employee satisfaction than other management approaches. The traditional importance of cast is reducing and firms should not try to overemphasize

cast considerations. Since non-monetary incentives are increasingly valued in India, organizations, more than in the past, might benefit from implementing models of job rotation, ongoing training and teamwork. Theoretical implications include that studies on management and organizational behaviour in India should be cautious to model moderating or mediating variables based on literature on traditional Indian management. Also, findings derive to conditions of traditional Indian management might require re-examination due to changes presented in our paper.

The findings from research present an analytically generalizable picture of contemporary Indian management. Although statistical generalization from a sample of six cases to a universe of all Indian companies is not possible, analytic generalization could be achieved, since the conclusions from one within-case analysis was confirmed in the cross-case analysis.

Although our findings gain some robustness by the replication logic, the generalizability of our findings remains on an analytical and not statistical level. Given the limited knowledge on contemporary Indian management and the exploratory nature of the study, statistical verification of the propositions following our research is left for future inquiries to verify.

The Indian economy is still in a fast changing mode. Accordingly, environmental conditions and Indian management have not yet returned to an equilibrium state. Our research depicts the most recent findings on management in India given the mode of change; however, Indian management is likely to further adapt to its changing environment. Therefore, the issue of Indian management might need revisiting as time goes by.

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