

Research Institute for  
International Management  
University of St.Gallen

*"Indian Companies Going Global:  
Challenges and Opportunities for Indian and European Companies"*

## Organizational Transformation in Indian Companies

Dr. des. Prasad Oswal

Wolfsberg, January 25, 2010

### Indian corporate sector in the 1980s and 90s

- National level: High bureaucracy, inward-looking policies and large public sector (Bhagwati, 1993)
- Firm level: High centralization, low multi-tasking and employee motivation, and poor managerial practices (McKinsey, 2001)
- Major competitive advantages included access to government licenses and networks in a protectionist environment
- The end result was the Indian firms had a reputation for poor quality and lack of innovation

Research Institute for  
International Management  
University of St.Gallen

## Transformation over the last few years

- Opening-up of the Indian economy starting 1992 led to greater integration with the world economy
- Increased competition led to higher quality consciousness and need for operational efficiency and global competitiveness
- Infosys, Wipro etc emerged as IT back-offices for western companies
- Companies like Bharat Forge and Tata Steel turned around to become global leaders in cost and quality
- Outbound Indian FDI at USD 18 bn overtook inbound FDI in 2007. Groups like Tata, Reliance, etc involved in international M&A

## Detailed analysis of organizational transformation in present study

- Anecdotal evidence suggests organizational transformation in Indian companies. Detailed research important but lacking
  - This study takes up this challenge and surveys top-1000 internationalizing Indian companies along a wide range of organizational variables
  - Additionally, three case studies conducted at leading Indian companies
  - Aim of the study is:
    - To identify “excellent” organizational forms
    - Map the extent of transformation in Indian firms towards these “excellent” forms
- Understand implications for Indian and western companies

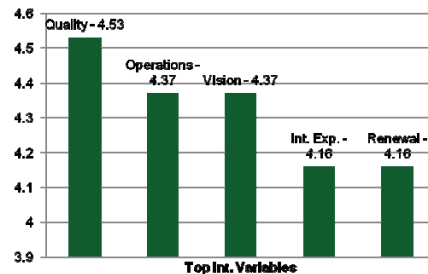
## Organizational design categories studied

- Scholars suggest that “excellent” MNCs are more “organically” designed, and are able to simultaneously focus on organizational integration, local responsiveness and worldwide learning
- In the present study, these “excellent” forms of organizing are conceptualized under the following categories (explained in detail in Appendix):
  - Structure (centralization, professionalization, horizontal teams)
  - Processes (...explained in Appendix)
  - HR policies
  - Leadership
  - Culture

## Empirical results

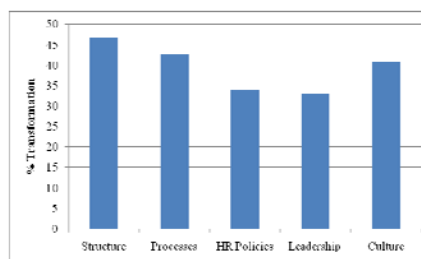
## Organizational variables rated important by top-managers in international success

- Product quality and operational excellence ranked most important organizational variables for international success
- Role of leadership in providing vision and international experience ranked next
- Organizational renewal ability ranked fifth most important organizational variable
- Each organizational variable conceptualized in this study was rated to have a positive effect on international success



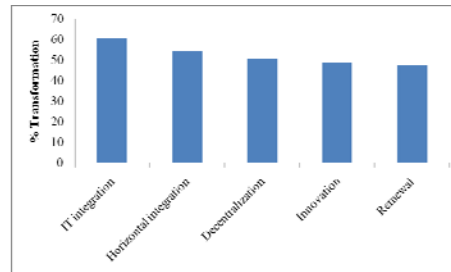
## Organizational transformation seen across all organizational categories (2003-08)

- Organizational structure had the highest transformation – Higher flexibility in Indian firms
- Next were organizational processes and culture – Increased process focus and move to a high-performance culture
- HR policies and leadership had the least transformation over this period



## Individual variables with highest transformation (2003-08)

- Use of IT systems (up over 60%) – India has traditional strengths in this area
- Horizontal integration and decentralization (up over 50%) – Indian firms are becoming more flexible
- Innovation and organizational renewal (over 40% rise) – these are important skills in the rapidly evolving global context



## Organizational transformation affects performance (Regression analysis)

- Findings of regression analysis are:
  - Organizational transformation towards “excellence” affects international performance
  - Transformation in Process and HR variables positively affects performance
  - Transformation in Structure and Culture variables has a weakly negative effect on performance
- Implications
  - Managers should proceed cautiously with organizational transformation (rapid structure and culture changes can have damaging effect)
  - Might be more effective to focus on transformation in process and HR variables

## Case studies: Organizational excellence adapted to the Indian environment

- Three leading companies studied – Infosys Technologies, ICICI Bank and Suzlon Energy
- All three companies appear to be moving towards “excellent” forms of organizing
  - For instance, Infosys has developed significant process and HR skills, ICICI Bank has been driven by a strong leadership team and an entrepreneurial workforce, while Suzlon is moving towards increasing structural flexibility and presence of foreigners in its top management team
- The three firms also adapted their organizational design to the needs of the Indian cultural and economic context
  - e.g. qualities such as consensus, humility, fast-decision making encouraged

## Conclusion – Organizational transformation as a new competitive advantage

- The present study offers a unique organization-wide view of organizational factors that can foster international success
- The analysis suggests that organizational design plays an important role in international success
- Larger Indian firms have undergone rapid transformation in their organizational design towards “excellent” configurations
- In doing so these firms are increasingly looking like their counterparts from developed economies, though they have also adapted to the demands of the Indian context

This could be a new source of competitive advantage for these firms in addition to existing low-cost and other advantages

## **Appendix – Organizational variables considered “excellent” in the firm internationalization context**

### **Structure variables**

- Appropriate centralization / decentralization
- Formalization and professionalization
- Horizontal teams, communication and collaboration

## Process variables

- Technological and operational competence
- “World-class” quality
- Innovation and learning
- Marketing and branding skills
- Employee entrepreneurship
- Integration via IT systems and managerial rotation
- Renewal ability

## HR variables

- Selection criteria for international assignments
- Training in international management skills
- Appraisal and reward systems
- Career planning process

## Leadership variables

- Vision and stretch-goals
- International experience

## Culture variables

- Employee confidence
- Cross cultural competence
- Unifying and binding effect of culture
- Attractive workplace

## Bibliography

- Bhagwati, J (1993), *India in Transition: Freeing the Economy*, Clarendon Press, Oxford
- McKinsey & Company (2001), "India: The growth imperative" last retrieved from <http://www.mckinsey.com/mgi/publications/india.asp> on 5 March 2006

Thank you for your attention!

- [prasad.oswal@unisg.ch](mailto:prasad.oswal@unisg.ch)
- [www.fim.unisg.ch](http://www.fim.unisg.ch)

