

# REDISCOVERING INDIAN MANAGEMENT<sup>1</sup>

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## **Abstract: Rediscovering Indian Management**

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, 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.

Key Words: India, Management, Case Study

## 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 (Falkenberg, Glamheden, Chong & Agrawal, 2003).

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.

Our paper is organized in the following way: Firstly, the literature review shortly introduces three interpretations of management theory, which form the basis of our analysis. Thereafter the specialties of the Indian context are depicted in the literature review followed by a review of the traditional Indian management style. Subsequently, the case study methodology applied for this research project and the data collected is presented and explained. Thereafter, the findings of our cases are put forward for family-owned businesses and for multinational companies respectively. We compare our findings with preceding literature on Indian management and develop four propositions. Our paper ends with future research directions.

## LITERATURE REVIEW

The first definition of the elements of *management* was brought forward by Fayol (1930) suggesting that management is a set of activities of planning, organizing, leading and controlling. Mintzberg (1975) focuses more on organizational and behavioral definitions of management, stating that management is a set of managerial roles: interpersonal roles, informational roles and decision-making roles. Mullins (2001) 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 (2001).

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 behavior 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 (Gopalan & Rivera, 1997). In India, human nature tends to be considered unchangeable – the theory of karma (Gopalan & Rivera, 1997). 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 (Amba-Rao, Petrick, Gupta & Von der Embse, 2000). Behavior 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 (Kakar, 1971). 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 (Agrawal, 1994).

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 (Amba-Rao et al., 2000). Nepotism and caste considerations affected selection and compensation (Chattopadhyay, 1975). 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 (Amba-Rao et al., 2000). 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 (Falkenberg et al., 2003).

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 (Miles & Huberman, 1994). 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. All these considerations led us to choose a *construct-building case study research strategy* (Eisenhardt, 1989; Eisenhardt, 1991; Yin, 1994).

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. Accordingly, our analysis is twofold: within-case analysis and cross-case analysis (Eisenhardt, 1989; Yin, 1994). In addition to the replications and case analyses, we followed the suggestion of Eisenhardt (1989), to compare case findings and literature for conflicting and common findings.

*Within-case analysis* of the six cases was based on a total of 36 interviews and on internal and external documentary information provided by the companies and gathered from independent sources. 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 (Strauss & Corbin, 1998). 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 (Bernard 2000; Eisenhardt, 1989).

The *cross-case analysis* followed *analytical replication logic* along family-owned businesses and multinational businesses. Since the setup of family-owned businesses and multinational corporations is different, we examined the two groups first individually and compared similarities and differences of management styles only thereafter.

Analyzing the cases of family-owned businesses and multinational companies allowed for the contextual factors to be considered. Conducting comparative case studies of the two different types of organizations furthermore supported the identification of Indian management styles for distinct environmental conditions.

We conducted three *literate replications* respectively of similar environmental conditions for the two groups of family-owned and multinational companies (Eisenhardt, 1989). Accordingly, we analyzed three cases of family-owned businesses and similarly three cases of multinational organizations. The multinational companies originate from Switzerland and Denmark and operate in the consumer goods, power equipment and pharmaceuticals industries. The family-owned businesses operate in the power supply, textile and chemicals industries.

In the cross-case analysis we compared categories, properties of categories and relationships across the stand-alone concepts that we developed based on within-case analysis for every case. We searched for within-group similarities and cross-group differences as well as similarities to build our concept of contemporary Indian management.

We present our findings for family-owned businesses and multinational companies individually along the categories of evolving context and resulting contemporary Indian management. We furthermore organized the findings along categories which emerged in the cases: 'employee requirements', 'leadership style', 'motivational aspects' and 'rewards and human resource management practices'. Four propositions were developed by increasing the level of abstraction above the categories of family-owned businesses and multinational companies. After developing the propositions from the within-case analysis, we crosschecked the propositions against the raw data to ensure robustness.

## 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, and 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 (cf. Falkenberg et al., 2003).

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.

## **Multinational Companies**

**Evolving Context.** To multinational companies, the liberalization of the Indian economy opened up great opportunities. Multinational companies, either already present or newcomers, expanded and increased their activities in a less regulated environment.

Compared to family-owned businesses, multinational companies are perceived to be steps ahead in their levels of professionalism. However, the increase in global competition in the Indian market has also meant increasing pressure for multinational companies to increase their levels of performance. Local as well as internationally active organizations are increasingly stepping into market segments once occupied solely by multinational companies. Patent protection in India is only limited to three months and even during these three months the Indian legal system is only weakly enforced. As a result, differentiation based on continuous product development is difficult. Therefore, differentiation in offered services has become crucial in satisfying customer needs.

The competition for talent has also intensified since the opening of the economy. Multinational companies operating in traditional sectors have experienced that they have difficulties to keep up with the wages that fast growing sector companies like the software industry can offer (Chong, 2002). Also, well-trained managers in multinational companies are

attractive employees not only for the direct competition but also for other rising organizations searching for professional and well-educated individuals.

Multinational companies are also experiencing better educated and increasing demands from customers. Before the liberalization, multinational companies had a competitive advantage from a globally recognized brand name; however, the brand is no longer motivation enough for customers when making their buying decisions. Multinational companies have to put in more efforts in selling their products and to motivate to their customers why they should make their purchase with them.

**Contemporary Indian Management.** Since multinational companies have guidelines and procedures mostly influenced by headquarters, *employee requirements* have been less dependent on social group or caste belonging than in local Indian organizations. However, as a result of growing competition, the requirements and standards of recruitment have increased. New employees and graduates are increasingly being more qualified.

Depending on the state of the development of a subsidiary of a multinational company, *leadership style* and management practices are more or less influenced by Indian traditions. In the initial stage of founding a subsidiary in India, the influence from headquarters are higher as expatriate managers are to a large extent holding management positions. As local Indian managers are increasingly involved in the organization and the management of the company, the atmosphere in the company is likely to converge. Mainly management practices and direction of business originate from the headquarters, which means that the implementation can be influenced by local customs. Employee satisfaction schemes such as family days and children's summer camp for the children of the employees are influenced by Indian values of looking after the employees and their families.

With increasing competition for highly skilled employees, *motivational aspects and rewards* have changed for multinational companies. Just as the brand name of multinational companies used to be enough quality guarantee of products to customers, a high degree of job security and recognition among family and friends used to be enough for top graduates seeking employment with a multinational company. However, as there are more attractive options for graduates in India today multinational companies have to put in more effort to make themselves attractive to prospective employees. Indian top graduates are well aware of their market value today and as a result thereof, they are searching for attractive career opportunities with appealing job descriptions and competitive salaries.

The *human resource management practices* employed by multinational companies are to a large extent influenced by directions from headquarters. However, the longer an organization is present in a market the better it knows which particularities are prevalent and should be considered. In India the workplace has long been recognized as a second home to employees where superiors are inclined to be responsible for the well-being of the subordinates. In multinational companies mainly originating from Europe or North America, this type of relationship between managers and employees does not exist. However, as subsidiaries of multinational companies continuously operate in India, the nurturing management style is integrated. The companies e.g. organize summer camps for the children of the employees or family days where employees can bring their family members to work.

### **Discussion of Findings in Light of Preceding Literature and Proposition Development**

The depiction in the literature of traditional Indian socio-cultural particularities and traditional Indian management stands in clear conflict to the findings from the cases, since contemporary

Indian management has developed its own gestalt by adapting to the changes in the Indian environment.

Traditional Indian management needed to consider family relations and caste belonging of organizational members. Our findings indicate that in contemporary Indian management, the education and experience of employees increased significantly in importance. Whereas traditionally, personal involvement of managers was high and nurturance was provided depending on employee performance, today personal involvement is rather limited and management style is increasingly participative. A preference for a participative management style in India is rooted in the socialistic past. Also, employees today tend to be more receptive to non compensation-oriented rewards and motivational factors such as job rotation, job autonomy and team work. Table 1 contrasts elements of traditional Indian management found in the literature with contemporary Indian management found in our research.

Insert Table 1 about here

The comparison of traditional Indian management with the emerging contemporary Indian management found in our research study indicates a convergence of traditional Indian management and foreign management approaches. As the opening of the economy stimulated market entry of multinational companies, at the same time it stimulated the introduction of foreign management approaches. Traditional Indian management therefore gravitates and converges towards an increasingly professional management approach consisting of the newly introduced foreign management concepts together with elements of traditional Indian management. Since the contextual factors in India, however, still enfold a strong impact, the emerging Indian management is nevertheless idiosyncratic.

Although caste belonging is expected to prevail as an influential part of the Indian culture, management decisions are expected to be made without caste considerations. As competition for qualified employees increases, managers are expected to focus more on work related elements in their employment decisions than on caste belonging.

*P1: Indian managers tend to value relevant educational background and experience higher than caste belonging for employment decisions*

Personal relationships between superiors and subordinates have long influenced the structure at Indian work places. However, as a result of increasing professionalism, Indian managers are inclined to increase the distance to their subordinates and to detach the assessment of work outcomes from personal relationships.

*P2: Indian managers tend to display medium to low levels of nurturance for subordinates*

As life-time employment has been the rule rather than the exception for most Indians, and work only a mean to support the family, monetary compensation was the only form of reward employed. Whereas compensation still plays a significant role in incentivizing subordinates, the decreasing existence of life-time employment increases the importance of training and therefore increases the value of career development opportunities.

*P3: Indian managers tend to increasingly incentivize subordinates by non-monetary development opportunities*

The socialist legacy and the traditional nurturance relationship between managers and subordinates result in the employees' expectation to participate in management decisions and therefore make participative management style increasingly successful.

*P4: A participative management style tends to be appropriate in the contemporary Indian environment*

## **IMPLICATIONS AND FUTURE RESEARCH DIRECTIONS**

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 behavior in India should be cautious to model moderating or mediating variables based on literature on traditional Indian management. Also, findings derivate to conditions of traditional Indian management might require reexamination due to changes presented in our paper.

The findings from our 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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**TABLE 1**  
Comparison of Preceding Literature and Research Findings

<b>Management Practices</b>	<b>Traditional Indian Management</b>	<b>Contemporary Indian Management</b>
Employee requirements	Family relation and caste memberships of employees have to be considered	Relevant educational background and experience matching task requirements
Leadership style	Organizational leaders display a high level of personal involvement with their subordinates. Leaders provide nurturance contingent upon the subordinate's task accomplishment	Increasingly participative management style where subordinates' opinions and input are solicited. Personal relationship between management and employees reduced
Motivational aspects and rewards	Work is viewed as a means to an end i.e. for the sake of satisfying family needs. Little demand for changing work tasks, only the compensation is relevant	Elements such as job rotation, enrichment, autonomy, team work and competitive salaries are increasingly considered to motivate employees
Human resource management practices	Nepotism and caste considerations affect selection and compensation. Training less emphasized	Objective selection criteria. Training programs and performance related compensation applied.