India's Management Mind-Set

The nation's model of human capital management reveals four lessons for managers worldwide.

By Peter Cappelli

When we began doing research to document some of India's human resource practices, the project soon morphed into a more general study of Indian business. Our work was based on introductions to—and later interviews with—the chief executive officers of the largest corporations in India.

The book that resulted, *The India Way: How India's Top Business Leaders Are Revolutionizing Management* (Harvard Business Press, 2010), describes distinct practices that set leading Indian enterprises apart from their counterparts in other countries. Perhaps the most significant aspect of the "India Way" centers on leadership. Many—arguably, most—Indian business leaders are deeply involved in solving societal problems. They deem it entirely appropriate to do so; they describe the purpose of their companies as addressing social issues.

Some of this focus has to do with the imperatives of development: Social progress and stability are essential for profitable business expansion. Some of it derives from a long-standing tradition of corporate philanthropic giving and building infrastructure near production facilities. Some comes from Hindi principles about service. Yet this melding of private and public interests goes beyond private profits and public charity, with national purpose as much a part of the business mind-set as financial and reputational gain. ›

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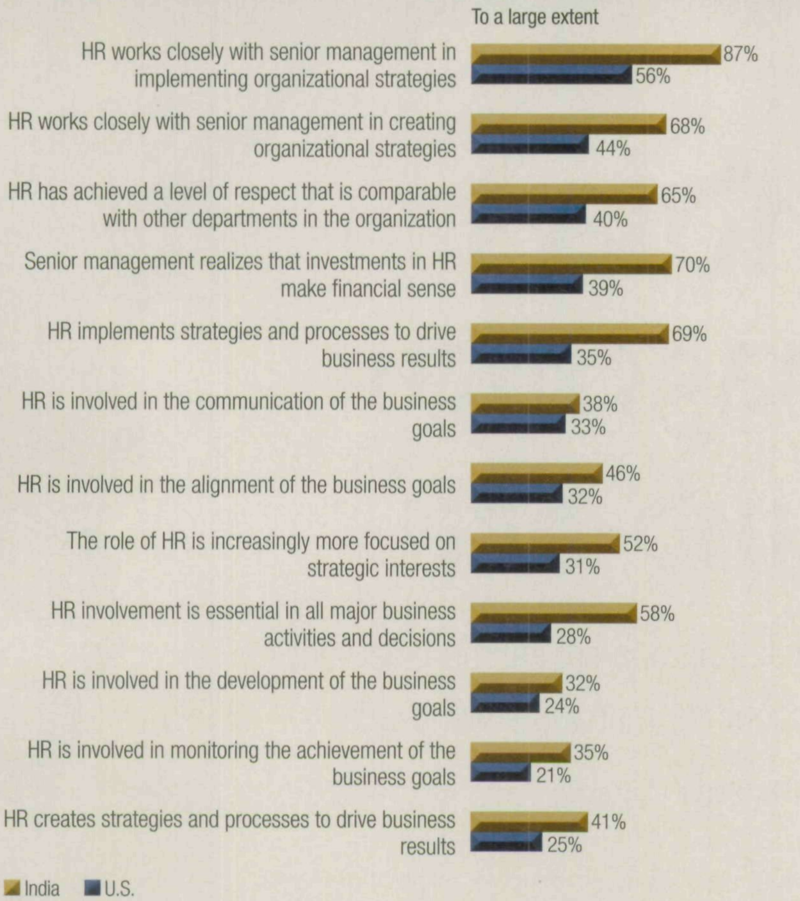
Extent of HR's Involvement in the Organization



Sources: *2006 Strategic HR Management* survey report, Society for Human Resource Management, with 406 responses; a survey of 80 large Indian companies by the authors of *The India Way: How India's Top Business Leaders Are Revolutionizing Management* (Harvard Business Press, 2010).

The India Way is characterized by four principal practices:

- Holistic engagement of employees.
- Improvisation and adaptability in execution.
- Creative value propositions for customers.
- A sense of social purpose for business operations.

Together, these principles constitute a distinctly Indian way of conducting business. It contrasts with combinations found in other countries, especially the United States, where business leaders focus heavily on delivering shareholder value.

Purpose, pragmatism and people aptly capture much of the essence of the India Way. Strategy and competitiveness in these companies come from employees' competencies. As a result, the human resource function is taken more seriously in India than in the United States; HR leaders have important roles in all strategy-level decisions.

Not all Indian businesses take this approach, of course, and not all Indian business leaders are saints. That said, the attributes of the India Way that co-authors Harbir Singh, Jitendra Singh, Michael Useem and I describe appear often enough that they constitute a model.

In the United States, many of us have grown up convinced that leaders of other countries come here to learn management practices. Perhaps it's time to learn from others by considering the following.

This mind-set can be seen in the willingness of the co-chairman and former chief executive of Infosys Technologies Ltd., Nandan Nilekani, to accept a call to direct the government's effort to provide unique digital identification numbers to 1.1 billion citizens. The initiative was deemed essential for the delivery of social services. The mind-set is embedded in Hindustan Unilever's Project *Shakti*, whose leaders use microfinancing to create sales forces in some of the subcontinent's most remote regions. It reveals itself in the business strategy of ICICI Bank executives. They strive to "bank the unbanked" hundreds of millions of poor people.

Most significant, the India Way expresses itself in an economy that sidestepped the worldwide financial crisis to remain a dynamo, driven by leaders of big companies hell-bent on competing globally. With an economy growing at more than 9 percent a year and big corporations growing at more than 20 percent per year, India is competing and winning in human capital-intensive industries such as pharmaceuticals, business services and information technology, industries long seen as preserves of the West.

Principal Practices

Here's how the four principles play out in the approach that Indian businesses take to human resource management:

Holistic engagement of employees. Indian business leaders see their organizations as organic enterprises where sustaining employee morale and building company culture are critical to executing strategy. People are viewed as assets to be developed, not costs to be reduced; as sources of creative ideas and pragmatic solutions; and as bringing leadership at their own levels to the company. Creating ever-stronger capabilities in the workforce is a driving objective.

We see this in the business mantra of HCL Technologies Ltd., a fast-growing international information technology services company: "Employee first, customer second." Chief Executive Officer Vineet Nayar developed the motto to shock people and get their attention, but it reflected the importance of employees to business strategy. The idea was to give employees what they needed, including autonomy, so they could meet the needs of customers.

To ensure that employees come first, the company requires 360-degree feedback on the 1,500 most-senior company managers worldwide, including the chief executive. Employees can evaluate their boss, their boss's boss and three other managers. And the 360-degree feedback, including the CEO's, is posted on an intranet for all to see.

During our interviews, when we asked CEOs what their priorities were for human resources, they listed developing talent as No. 1. Despite the fact that Indian companies actually outsource more HR tasks than their U.S. counterparts, cutting costs was never asserted as a goal for HR staff.

These corporate leaders make extraordinary investments in their employees, despite tight labor markets that make retention a challenge. One study of practices in India found that employers in the information technology industry provided new hires with more than 60 days of formal training—about 12 weeks. Many companies did even more: Tata Consultancy Services, for example, had a seven-month training program for science graduates being retrained for business consultant roles, and every employee gets 14 days of formal training each year. MindTree Consulting Ltd., another technology company, extended its orientation for new hires to eight weeks, using classroom training, mentoring and peer-based learning communities.

Even companies in relatively low-skill industries such as business process outsourcing and call centers provided about 30 days of training, and retail companies required about 20 days. New recruits for customer service jobs at the retail company Pantaloon, for example, received six weeks of training, including five and one-half days in residence at a training center followed by five weeks of on-the-job training directed by store managers.

Systematic data on training among U.S. companies is hard to come by, but available statistics from the U.S. Census Bureau suggest that 23 percent of new hires received no training of any kind from their employer in the first two years of employment, while the average amount of training of any kind for those with two years or less of tenure was just 13 hours within a six-month period.

Empowerment also extends to the way that employees' ideas are solicited and executed. MindTree adopted innovative methods for fostering ideas and improving execution, beginning with a menu of ways for employees to give feedback to executives. One forum aimed at receiving feedback is a regular open house with leaders where all questions are tackled on the spot. Another is a company intranet where grievances are addressed. But the most unusual aspect of the MindTree approach is the company's integrity policy. MindTree posts on its website accounts of ethical failures and violations of company policies and the lessons the organization has learned from each. By acknowledging mistakes, especially those made by leaders, managers encourage others to do the same and to follow senior executives' lead in making changes.

Online Resources

For additional information about HR practices in India, see the online version of this article at www.shrm.org/hrmagazine/0811Cappelli.

The high-water mark for a culture of openness and flat hierarchy probably goes to the Sasken Corp.'s "single-status" policy. Every employee—from entry-level workers to the CEO—is governed the same: same offices, same travel coach-class policies, same criteria for compensation (no separate executive compensation policies). Those policies also include programs providing extensive leaves, including a six-week sabbatical after four years of employment.

In a complex, often volatile environment with few resources and much red tape, business leaders have learned to rely on their wits to circumvent hurdles.

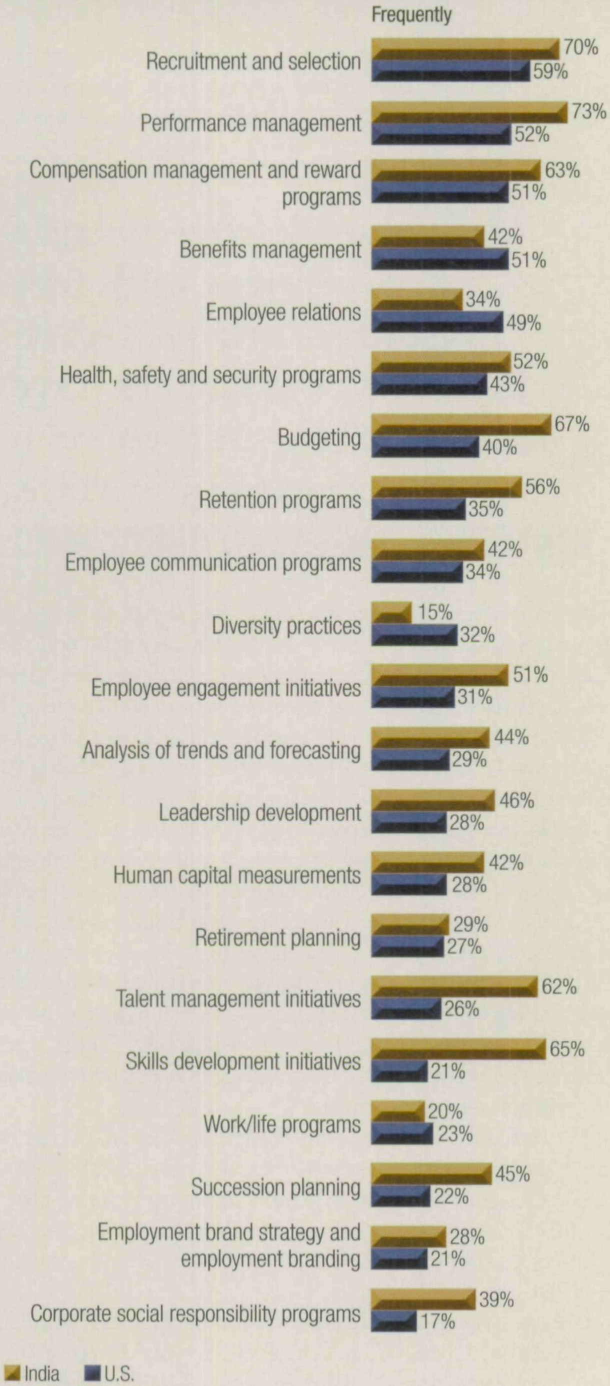
These Indian CEOs hold HR managers accountable for performance, and India's corporate leaders appear to take assessing HR performance more seriously than do their U.S. counterparts.

Improvisation and adaptability. Improvisation lies at the heart of the India Way. In a complex, often volatile environment with few resources and much red tape, business leaders have learned to rely on their wits to circumvent hurdles. The Hindi term *jugaad*—which means finding a way to work around obstacles—captures much of the mind-set. Anyone who has seen outdated equipment nursed along with retrofitted spare parts to well past its expected lifetime has witnessed *jugaad* in action. Adaptability is crucial and frequently referenced in an English-Hindi hybrid, *adjust kar lenge:* "We will adjust or accommodate."

The best-known contemporary illustration of *jugaad* may be the Tata Nano, a family car that sells near the unbelievable price of $2,500. Designers managed to do it by improvising: using plastic and adhesives rather than metal and welding, borrowing parts and ideas from motor scooters, and giving up some standard equipment, like power windows.

Creative value propositions. Given the large and competitive domestic market, Indian business leaders have learned to be creative in developing value propositions. Though steeped in an ancient culture, Indian business leaders are inventing products and services to satisfy the needs of demanding, value-conscious consumers, and they do so with efficiency. ›

Company Use of HR Metrics



Sources: *2006 Strategic HR Management* survey report, Society for Human Resource Management, with about 190 responses; a survey of 80 large Indian companies by the authors of *The India Way: How India's Top Business Leaders Are Revolutionizing Management* (Harvard Business Press, 2010).

Bharti Telecom Ltd. went from a startup to the largest telecom provider in India and beat bigger competitors to market through reverse outsourcing. The company, with more than 100 million subscribers, farmed out technical operations of the network to Western companies. Cognizant Technology Solutions Corp. abandoned the traditional outsourcing model with headquarters in India and representatives traveling back and forth. The company has U.S. headquarters with customer representatives based here, close to customers. Apollo Hospitals pioneered "telemedicine" with mobile diagnostic equipment beaming information on rural patients to urban-based hospitals.

Social purpose. Indian business leaders emphasize personal values, a vision of growth and strategic thinking. Besides servicing the needs of stockholders—a necessity of CEOs everywhere—Indian business leaders stress a broader societal purpose for businesses.

The social mission for Bharti Airtel Ltd., for example, was to get cell phones into the hands of millions of people who otherwise had no way to communicate with each other. The Tata Nano had a similar goal of getting safer, low-cost transportation to the masses. The social mission of pharmaceutical and health care company Dr. Reddy's Laboratories Ltd. is to address the unmet medical needs of the poor in India as well as around the world. Some of these approaches build on the "fortune at the bottom of the pyramid" model. Sponsors emphasize business opportunities among the poor. But making money is never presented as the primary objective.

Leading by Example

India's corporate leaders put their money where their mouths are with respect to mission:

- Two-thirds of the profits of the Tata Group companies, for example, go to its charitable foundations.
- The multifaceted corporation Godrej Group has constructed schools, medical clinics and living facilities for employees on a massive scale unknown among American companies. U.S. directors and executives are far more likely to see employee welfare as a drag on shareholder value than an asset for growth.
- Dr. Reddy's has guaranteed to meet the health care needs for 40,000 children.
- Infosys has built and staffed hospitals; rolled out a nationwide curriculum for secondary school students, in part to improve its future applicant pool; and engaged in hundreds of other projects.
- A rural initiative sponsored by the conglomerate ITC Ltd., Mission *Sunehra Kal*—meaning "the golden tomorrow"—includes knowledge portals to advise farmers and help for them to band together to negotiate with suppliers, to provide job opportunities for women and to expand education. The initiative involves 5 million people.

Finally, leaders of Indian businesses lead by personal example. In our survey of Indian CEOs, they ranked being a "guide or teacher for employees" above being a "representative of owner and investor interests" in their priorities. HR