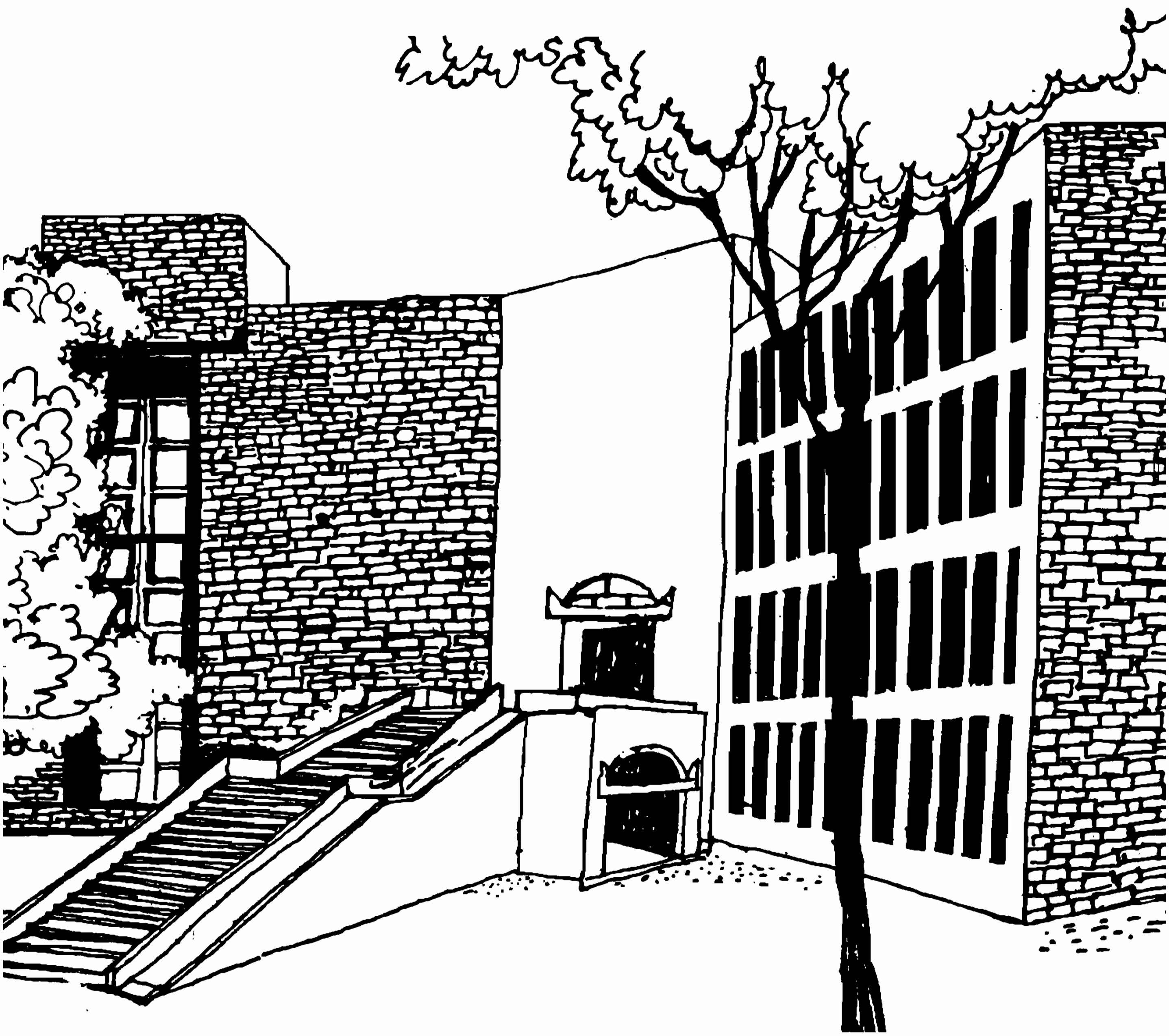
विद्याविनियोगाद्विकासः

IIM

AHMEDABAD

Working Paper



Internationalizing Indian Companies: Organizational Issues and Challenges.

by

Ashok Korwar

W.P. No. 1102
May 1993

The main objective of the working paper series of the IIMA is to help faculty members test out their research findings at the pre-publication stage.

Indian Institute of Management
Ahmedabad 380 015

Abstract

This paper examines issues which arise in designing Indian organizations for global business. Drawing upon 2 years of research with 14 observed Indian cases, the paper discusses organizational designs actually observed and postulates design considerations which may be more appropriate, given the strategic challenges facing the organization.

Organizational design is discussed in the following dimensions: vision, kind of excellence, management styles, structures and systems, and upgrading mechanisms. Not surprisingly, the paper finds that different strategic contexts call for different designs - which raises problems of its own.

Finally, some reflections are offered on the crucial decision of whether to keep domestic and international operations together or apart.

As Indian companies have reached for the globe, they have found themselves faced with obstacles and challenges which would confound the most intrepid of explorers. Often, they face these challenges for the first time - the need to respond swiftly to changing consumer tastes, the challenge of upgrading quality to international standards. The strengths they have built up at home are often of no avail - the investments needed to replicate distribution channels and brand names in international markets are sometimes too enormous to even contemplate.

This paper reports on the experiences of 14 Indian companies which have faced these challenges in recent years. We focus specifically on the issues surrounding the design of organizations to face these challenges. We find that different kinds of organizational designs are needed to meet different kinds of challenges.

The companies in our sample have been observed in depth over a period of roughly two years (1991-92).

Section I describes our research methodology and the data. Challenges faced by the companies in our sample are described in section II. We classify the companies into four categories based on the four major kinds of challenges observed.

Dimensions in which we have studied organizational design are presented in section III. Section IV discusses the kinds of organizational designs actually observed in firms in each of our 4 categories; we also reflect on what kinds of designs might be most appropriate to the situation - employing which the companies observed might hope to be improve their performance in international business.

Finally, we discuss some problems which seem to arise in organizational design for our companies - such as the issue of whether the domestic and international business entities need to be kept together or separate.

I. Methodology and Data

Over the past two years (1991-92), 14 Indian companies that had achieved some significant success in international business by criteria such as growth of international business revenues, were studied in some depth. Two industry studies in which the author has participated, one focussing on leather and one on software exports, have thrown up several interesting firm-level cases of international business strategy.

Detailed case studies have been developed in each case, with several interviews with top managers, plant visits, and detailed analysis of data. In some cases, extensive discussions with foreign customers have also generated useful insights.

Of the fourteen companies, 2 are in pharmaceuticals, 3 in computer software and systems, 4 in leather and leather products, 2 in textiles and related industries, and 3 are in multiple industries, including but not limited to the preceding ones.

None of the companies fall in the small-scale sector - they are all medium to large firms.

In each case, international business revenues were atleast 10% of total revenues and growing - in 5 cases, they were 100% of total revenues.

II. Challenges of International Business

Observation suggests that the challenges our companies face in the attempting to internationalize are of the following kinds: (Balakrishnan (1980) and Korwar (1992) present a more complete strategic framework for analyzing company strategies along these lines).

1. Marketing - which includes the ability to understand the global customers' needs, establishment of appropriate distribution channels, and creation of brand images and differentiation mechanisms. This situation is most commonly met in consumer goods including garments, textiles, leather goods, and, to a lesser extent, in pharmaceuticals.

2. Credible expertise - which is a combination of two closely related challenges: developing the expertise demanded by customers, and achieving credibility that the expertise has actually been developed.

   This is most commonly found in service industries - construction, engineering services, computer software, etc.

3. Speed - the ability to keep up with changing demands. This is generally to be found in some 'fashion' segments of industries like textiles, garments, leather garments and shoes.

4. Quality - the ability to meet the customer's expectations of what the product should be able to do, at the defect rates the customer is accustomed to tolerating (often zero) in the global marketplace. This challenge is more or less universal in international business.

A given firm may, and often does, face more than one challenge. For instance, quite a number of firms face the marketing challenge as well as the quality challenge, or the marketing challenge as well as the speed challenge. In particular, the 'quality' challenge is an almost universal one, varying only in degree across the sample.

Again, some of our firms are in more than one industry, each of which may be in a different category.

Table 1 presents some data on the number of cases in each category.

Table 1

Strategic Category	Number of cases
1. Marketing challenge	7
2. Credible expertise challenge	4
3. Speed challenge	6
4. Quality challenge	9

Note: Because firms may fall into more than one category, and/or have more than one business line, the numbers add up to more than 14 (the number of firms in the sample).

The focus of this paper is on building organizations to meet these different kinds of challenges. Some firms face more than one kind of challenge - their organizational problems can be quite complicated -like the Gordian knot, they can be resolved only by severing one part from another!

III. Elements of Organizational Design

Implicitly or explicitly, a number of different elements of design must be put together to build an organization. The organization must evolve a vision for its members to aspire to, it must develop 'excellence' in certain directions, it must evolve a distinct management style, a set of organizational systems and structures, and it must build in the capability to upgrade itself as it moves along. Khandwalla (1992) describes the following design elements, which we shall adopt in our analysis.

1. Organizational vision : 'Organizations can excel that are able to provide to their members a sense of meaning in life..." (Khandwalla, 1992, p.73)

2. The nature of 'excellence' called for in the situation.

The following typology is proposed by Khandwalla (1992) to describe the varieties of organizational excellence:

competitive excellence - which is to be outstanding within a field of competitors vis-a-vis *performance* criteria such as growth, profitability, return on investment;

rejuvenatory excellence - which is vast improvement over previous (depressed) performance - such as is observed in a turnaround situation;

institutionalized excellence - which is sustained high performance despite the absence of significant competitive pressure;

creative excellence - which is commitment to pioneering, innovation, discovery and dynamic change;

missionary excellence - which is dedication to some mission or ideal and the ability to make extraordinary progress in achieving this;

versatile excellence - which is the desire and ability to meet expectations of a wide variety of significant stakeholders and interests.

3. Management style: this refers to the distinctive way the organizations decision-making functions , the way it deals with external influences, with its own people, and the way it sets objectives and controls performance.

   A number of management styles are to be distinguished: the authoritarian, the familial, the professional, the participative, the entrepreneurial, the bureaucratic, are some of these.

4. Structures and systems: these include reporting relationships in the organization, goal-setting and planning systems, mechanisms for evaluating alternatives, coordinating different functions and processes, control mechanisms aimed at achieving desired objectives.

5. Upgrading or improvement mechanisms: these are mechanisms and processes specifically aimed at improving the organization's capabilities and functioning beyond what is currently obtaining.

We shall analyze the organization of firms in our sample using this conceptual framework. We shall find that each kind of challenge requires a different kind of organizational design to answer it.

IV. Organizational Design for Internationalization

Organizational designs for firms in each of the 4 categories in section III will be discussed below. Since firms may respond to a given challenge in more than one distinct way, we shall have to deal with more than one kind of strategic response in each category. In each case, we discuss the behaviour actually observed; we shall also offer thoughts on the 'best' strategic response and the 'best' organizational design. (Balakrishnan (1980) and Korwar (1992) discuss why different strategic responses may be appropriate to a given challenge).

1. Marketing challenge

Some of the largest and strongest Indian companies are to be found in this category.

However, the investments required, the risk-taking gumption called for, in establishing one's own marketing channels and brand names in foreign markets, are so enormous that almost every Indian company shies away from it.

The usual strategy employed is to set up production in India, usually with foreign technical collaboration and/or imported equipment, and to act as a source for a foreign manufacturer. (For later reference, we shall call this strategy 1).

A second kind of strategic response is to enter into a marketing alliance with a foreign marketing service firm, whose primary function is to develop customers and markets for the Indian firm. (we shall call this strategy 2, for later reference).

There is a very real long-term difference between these two kinds of strategies - in the latter case, there is some prospect of graduating to controlling the market on one's own - in the former, there is virtually no such hope.

In this discussion, we argue that a marketing alliance may very well be a correct, if cautious, entry strategy for an Indian company aspiring to be a global company. The other effective strategy, ofcourse, is to go it alone (strategy 3).

In our sample, only two companies have sallied forth to establish themselves as global players in their own right, with their own name on the product, marked 'Made in India' (strategy 3). Two companies have, on the other hand, done quite well with a marketing alliance - one has eventually shaken itself free from the marketing service company and now markets on its own abroad (strategy 2). The other 3 have fallen back on strategy 1, which is to act as a source.

Vision

A driving passion to be a global player, a kind of pride bordering on arrogance which says 'we can play with the big boys', the desire to shake off the label of a second-rate country - this is the kind of vision it takes to succeed with strategy 3 - very very few Indian companies appear to have it.

Companies adopting strategy 1 and 2 appear to be driven by the vision of expanding operations beyond the limited size of the domestic market. In some cases (atleast 2), international business is motivated, atleast initially, by a more mundane desire to earn enough foreign exchange to finance imports for the domestic business.

Among the companies in this sample are some of the biggest and best in India. Yet most of even these are content to play second fiddle to foreign collaborators who guarantee a market for the product through a buyback arrangement.

Kind of 'excellence'

Companies which have adopted strategy 1, the path of least resistance, have concentrated on three issues: cost, quality, and reliable delivery. The kind of 'excellence' these companies strive for is probably closest to 'competitive excellence' (Khandwalla, 1992) - with a small number of clear-cut goals, strong management commitment to these goals, tight control over operations, and a sensitivity to competition. Because Indian companies are such marginal players in some of these global industries, (in leather, for example), this last feature - sensitivity to competition, is not always present. In fact, the 'excellence' achieved by these companies might better be described as 'operational excellence'.

Companies pursuing strategy 3 - striving to become global players in their own right (strategy 3), have had to develop an altogether different kind of 'excellence': perhaps the best word for it would be 'leaping' or 'transformational' excellence .The organization has had to understand and master a completely new set of markets and customers, while at the same time internally upgrading itself by several orders of magnitude in terms of quality and responsiveness. This kind of 'excellence' is perhaps a close cousin of Khandwalla (1992)'s 'rejuvenatory excellence' - the only difference being that the company is not 'sick' to begin with - on the contrary, it is usually a good performer by domestic standards.

Those who pursue strategy 2 are more cautious, but do appear to have long-term visions similar to these.

Management style

No single management style characterizes the firms executing strategy 1 (sourcing). The large companies tend to have a more professional style, the smaller ones exhibit a typical familial style.

The companies which have opted for a marketing alliance as an entry strategy (strategy 2) exhibit a formal, professional style of management. This style has served them well in executing the alliance, because a great deal of planning and tying up of loose ends is involved in forging such alliances - it has also served them well in sustaining the alliance, because the partners appear to be highly professionalized companies themselves.

One of the more successful companies - one which has, in fact, begun to establish itself as a global player (strategy 3), is a good example of the 'entrepreneurial style' - characterized by huge risk-taking, with control and coordination accomplished chiefly by a shared grand vision.

What kind of management style would best serve a company trying to meet head-on the challenge of marketing its products abroad? Clearly, a high degree of innovativeness in finding cheaper, more effective ways of reaching customers, coupled with the ability to make huge investment without flinching - these are best nurtured by the entrepreneurial style. It is not surprising, then, that one of the few successful companies in this category appears to operate in this mode.

Structures and systems

Companies pursuing strategy 1 appear to have evolved structures and systems aimed at cost control and operating at very low defect rates - 'running a tight ship'. Thus, a high degree of central coordination is exercised by top management. Division managers and managing directors are to be seen every day on the shop floor. Organization structures are usually relatively flat, with overheads kept as low as possible. Professional functions such as planning are usually absent.

Quality control is emphasized: quality measurement systems have been highly developed in almost every company in this category. Rather surprisingly, perhaps, concepts such as 'quality circles' have not taken root.

Among the companies which have opted for marketing alliances (strategy 2), we see a very small marketing department in the beginning, which functions as little more than a liaison office. As time goes on, the marketing division grows in strength, and representative offices are opened in important countries, staffed by natives of that country. These have little autonomy at first, being restricted mainly to networking activities, but are gradually given the right to strike deals on their own.

Among the few companies which have achieved some success at overcoming the 'marketing challenge' (strategy 3), organizational structures have emphasized project teams - each tasked to achieve some goal - come up with a new way of doing something, a new way of reducing cost, a new way of entering a certain country. The organization structure is extremely flat, in keeping with their 'entrepreneurial style'.

Upgrading mechanisms

With companies executing strategy 1, focus is on upgrading quality in one form or the other. Consequently, the observations in subsection 4 below apply to these firms.

Those companies which started on the alliance route (strategy 2) have employed existing customers as the chief founts of intelligence on the market - employees at every level are sent to work with customers and learn from them. Continual opportunity scanning is conducted, beginning with existing customers, trade fairs, etc. The marketing department, including representative offices abroad, are built up well beyond what would appear to be necessary, given the fact that marketing is supposed to be handled by someone else.

Finally, those companies which have chosen to go it alone (strategy 3) have had to evolve ways of identifying new market opportunities. New opportunities are of two kinds - new countries, and new products in a given country. For a single-product company, the former is relevant, for a multiple-product country, both are relevant.

One successful single-product company relies on continuous global scanning to look for new countries which may have a market opportunity. This kind of scanning is performed exclusively by two or three of its top management flying around the globe.

This company also makes a practice of sending its employees to a large number of training workshops abroad, especially those most relevant to its products - they are expected to develop contacts, get to know the competition better, and improve their understanding of what it will take to crack some of the major markets of the world, where these workshops are usually held.

Another company, which has multiple and unrelated products has created a management function called 'country specialist' - this is not a staff function - rather, a line manager who heads a division selling one product to a given country, also wears another 'hat' - as expert on that country. It is his job to keep a lookout for potential markets for his company's other products, and for ways to market them. This responsibility is taken very seriously, and the manager is evaluated against this part of his job just as stringently as against his role of promoting his own division's products. This mechanism appears to work well.

Both these may be seen as 'learning' mechanisms, rather than just as organizational structures.

Another learning process instituted by this second company is a practice of studying major failures in international marketing efforts - these are written up as 'case studies' and used extensively in company training programs.

2. Credible expertise challenge

Companies we find in this category are mainly those in high-tech service industries, for instance, in computer software and systems (see Korwar (1991)).

By and large, Indian companies have responded to this challenge by being content to supply the inputs and compete on price (we shall call this strategy 1). Korwar (1991) argues that the correct strategy, on the other hand, is probably to forge long-term strategic alliances with large global players who need access to inputs but have achieved the requisite credible expertise (we shall call this strategy 2).

Vision

Most companies in this category seem to aspire to nothing more than achieving a profitable, growing business. Indeed, many companies have been drawn to the business of software exports (the prime example of this category) by the lure of earning export credits, which could be used to offset imports to sustain the companies' 'real' business - which is generally manufacturing of some kind. Such companies uniformly execute strategy 1.

To be a truly successful global player, however, a different kind of vision - the same 'global mindset' we discussed above is called for. Further, it calls for a commitment to the business for its own sake , (that is, not for some side benefit).Not until such a vision is developed will Indian companies make a mark here and realize the full potential of the available inputs. Not more than one or two Indian companies in the sample studied (even there, we are being charitable) appear to be propelled by this kind of vision.

Kind of 'excellence'

Most companies in this category have focussed on achieving excellent quality at a competitive price, (executing strategy 1), which combination does lead to high and profitable growth. These are hallmarks of 'competitive excellence'.

A different kind of 'excellence' needs to be aimed for in order to execute strategy 2. What the organization has to do is to transform itself, to upgrade its capabilities, its understanding of the market and of the business processes of global players, by a huge order of magnitude - the kind of 'transformational' or 'leaping' excellence described in subsection 1 above.

Strategy 2 (strategic alliances) also calls for yet another kind of 'excellence' - the ability to satisfy the global partner's needs while, at the same time, pushing the Indian company's interests. This is clearly a form of 'versatile excellence' - excellence at balancing multiple interests and goals.

Management style

Perhaps because of the nature of the industries our companies are in, the participatory/professional style of management is probably the dominant one here.

This is, in fact, probably the management style most appropriate to the situation. On the one hand, upgrading, transforming the capabilities of the organization by an order of magnitude, is going to call for supreme efforts by members at every level of the organization - only a participatory style, with its emphasis on building commitment through participation in goal-setting, can be expected to succeed. On the other hand, working effectively with large global players for partners (the preferred strategy) is going to require employees to operate on the same wavelength as these giant partners. Since these global players generally seem to favor the professional style of management, it seems appropriate that the Indian companies operate in a similar fashion. Again, important customers tend to be large, professionally managed companies, who feel most comfortable dealing with a 'professional' firm.

Further, the 'versatile excellence' we have identified as being necessary to make strategic alliances work, appears to be best nurtured by the professional/participative style (Khandwalla, 1992).

Structures and systems

Considerable commonalities are found in structures and systems employed by companies here, companies executing both kinds of strategies.

Organization structures which emphasizes teams, especially project teams, appears to be commonly successful here. Since expertise is usually based on knowledge of customer needs, the most successful companies tend to organize by customer sectors rather than by product or functional department.

As the organization continually refocuses its target markets, organizational shakeups are quite common, and are easily taken in stride. People move freely from marketing functions to production functions to planning and support functions.

Because people resources tend to be critical here, performance appraisal and incentive and reward systems tend to be highly developed and sophisticated. Considerable progress needs to be made, however, on systems for measuring and rewarding team performance, as distinct from individual performance.

Upgrading mechanisms

Learning is absolutely critical for this strategic category of firms, especially for those who aspire to higher things than being a supplier of raw materials.

Unfortunately, very few companies appear to have systematic mechanisms in place for organizational learning. This is partly because hardly any of the companies observed have attempted to execute the strategy of forging alliances with global players (strategy 2). Since their strategies do not generally incorporate upgrading, it is not surprising that corresponding learning processes do not exist.

However, there are clearly some learning processes which might make sense for aspiring companies here. 'Double loop learning' is the need of the hour for these firms - the ability to continually reexamine one's own competitive position, to assess one's strengths and weaknesses, to figure out ways of moving up the value chain to encompass more and more of the total business of serving the customer, from just doing a part of the job.

Learning here is necessarily from the partner and from the customer. The following sets of actions would help to learn from a partner:

1. Continually offer to do more and more, rather than less and less of the total job: this necessarily entails some risk-taking,

2. Placing people on the job who are more capable and qualified than the job itself requires,

3. Volunteering to accompany the partner's people to key customer meetings on a 'silent partner' or 'fly on the wall' basis,

4. Placing a large number of good people at or near the partner's site abroad, even if the project doesn't require it.

Learning from customers can be facilitated by:

1. Placing good people at the customer site even if the project doesn't call for it,

2. Volunteering to perform the 'dirty jobs' which the partner may not be excited about doing,

3. Inviting customers' employees to talk to your employees about their business.

At the same time, the Indian company must institute regular, scheduled, feedback sessions, where its people posted abroad come back and train people back home on what they have learned.

Finally, for all employees, the Indian company should consider training in developing 'peripheral vision' - the ability to see things which are just out of focus, but which could mean a great deal down the road as the company expands its scope of operations. One way to encourage this is to hold regular scenario-building exercises where people think through what they could do if only they had more expertise, more experience, a customer willing to .. etc.

3. Speed challenge

This strategic challenge is most commonly found in fast-changing fashion industries like textiles, garments, and certain segments of the leather business. Indian companies in this industry usually have the advantage of available inputs and good adapted technology.

The strategic challenge here is composed of two parts - how to sense which way customer tastes are going, and the corresponding organizational challenge - namely, how to design the organization to respond quickly to changes in the market.

Here, as always, it is perfectly possible for a company to avoid the challenge altogether by stepping back one step on the value chain and being content to produce and market an intermediary product rather than the final product consumers buy (we shall call this strategy 1). All except 2 companies in our sample have chosen this route.

Probably the most effective strategy in this context is to establish final production centres close to or in the final markets, with inputs and technical and managerial talent sourced from India (strategy 2). One company in our sample has set up a joint venture in a South Asian country with a local partner - the Indian company provides technical inputs and a major intermediary product and provides the top management for the venture.

Vision

Companies pursuing strategy 1 appear to have the mindset of a 'source', rather than the grand vision of a global player.

One missing ingredient appears to be the confidence to go beyond traditional Indian designs and come up with contemporary designs which can appeal to the global customer. Also, the vision to be a global player must embrace the vision of being more than an exporter - of being able to create and manage a truly global organization, with production facilities abroad, and people from all over the globe. Few Indian companies have this vision today - they shrink from the prospect of having to bridge the gulf between cultures.

Kind of 'excellence'

Since strategy 1 is essentially to act as a source, the same kind of 'competitive' or 'operational' excellence we discussed in section 1 are to be found here.

It is evident that the kind of 'excellence' needed to make the jump to a truly global company (strategy 2) will be the 'leaping' or 'transformational' excellence we described in sections 1 and 2 above.

As the company grows to be a truly global company, it will have to develop a form of 'versatile' excellence - the ability to balance the interests of a number of diverse and independent operating units and their stakeholders.

Management style

Again, no one management style is to be found in companies executing strategy 1. The comments in section 1 above apply equally well here.

One company which has set up a joint venture abroad (strategy 2) has evolved a very hands-off style of managing this venture. The Indian company's management style best fits the description of 'familial' - the venture's top managers, like all top managers in the organization, have gone through a lifetime of grooming in the company. They are expected to feel part of the 'family', are rewarded for loyalty and hard work, and consider themselves outposts of the family empire.

Since we have so few success stories here, it is difficult to comment on what kind of managerial style would be best suited to strategy 2. However, drawing on the experiences of certain Italian success stories like Benetton, it would appear that the entrepreneurial style may be best suited here - with the proviso that the firm must encourage entrepreneurship at every level, not just at the top. Delegation of authority to lower levels, especially to those levels most directly in touch with the market, would be very important. It would be difficult to manage a number of far-flung operating units without allowing a certain freedom of operation to the management on the spot.

Structures and systems

Firms executing strategy 1 here are similar to those executing strategy 1 in section 1 above.

Information systems will be very important to those organizations which aspire for success here employing strategy 2. Systematic ways of sensing market intelligence are critical. The organization must create a network of contacts among customers and among 'influencers' of fashion, which it must systematically maintain. Responsibility for maintaining this must reside very high up in the organization. The people who 'work' this network must have a very major input into the design process - the design function must be given an exalted place in the company hierarchy.

The organization's structure must also be capable of overnight change - as new business processes are created to speed up response - for instance, by reordering the value chain, or by subcontracting out a part of the value chain. Highly complex and ordered structures will resist such changes. Extensive and frequent job rotations are probably needed, partly to keep the structure fluid and partly to expose every employee directly to the market.

Some of the more successful foreign companies in this business have resorted to extensive subcontracting of the production process to a large number of small outfits, keeping only essential functions within the organization.

Information systems must focus, not on compiling extensive financial and costing information, but on tracking sales trends on a day to day basis, and on monitoring production. Decision support systems for top management can be extremely useful if properly applied.

In general, then, what is called for is informal structures held together by excellent information systems.

Upgrading mechanisms

Two kinds of learning are needed here (to execute strategy 2) - 'single loop' learning to figure out which way the winds are blowing in the market and quickly adjust to them, and 'double loop learning' to keep looking for fundamentally new ways to respond faster and more accurately. For instance, these would involve such things as creative reordering of the value chain to emphasize response rather than efficiency or cost, and a commitment to finding new technologies which would make such reordering possible.

'Single loop' learning is best facilitated by a system of mid-season checkpoints, where information on business trends are gathered, reviewed, and acted upon immediately.

Cross-cultural learning will also have to take place as the company grows to become truly global. Some effective ways to make this happen are: frequent rotation of people across countries, frequent team-building events and meetings involving people across the globe, use of cross-country teams to tackle problems of company-wide significance such as product development, and to evolve strategic plans.

'Double loop' learning to refashion business processes to improve response times requires extensive use of brainstorming - to generate creative new ideas for new business processes.

4. Quality challenge

As in the 'Speed Challenge' category above, Indian companies in this category draw upon locally available inputs and locally available, adapted technology for their major strengths.

The 'quality' challenge is more or less universally present - the only difference is that, for some companies, it is the most important or, indeed, the only 'real' challenge, whereas for others, it is only one of many challenges.

The literature on quality management is so vast that no attempt will be made to review it here. Rather, we shall focus on the actual experiences of the companies in our sample which have answered this challenge in the context of attempts to internationalize.

Vision

A certain pride in one's work, in one's craftsmanship, and a desire to be considered as good as the best, are the key ingredients needed. The companies which have been most successful here have either been MNCs, whose people have been exposed to high-quality products in the parent company, or Indian companies which have always prided themselves on quality in the domestic marketplace.

Kind of 'excellence'

A limited form of 'transformational' excellence is observed in succesful companies in this category - limited in the sense that only internal processes have been upgraded, not necessarily the business processes dealing with the external marketplace. This is because companies in this category have indeed been able to improve quality, whether or not they have been able to globalize on their own.

Management style

A distinctively participative style of management is observed in the companies in this category. This is quite striking to the observer, because even companies which did not previously believe in group processes, in empowerment of workers, and so forth, have made attempts to switch to this mode as they have traveled the road to global quality.

Structures and systems

Systems appear to be more important than structure here. A wide variety of organizational structures are observed, but systems appear to have a certain commonality.

Quality control and measurement systems are, naturally enough, well developed in these organizations. Where international standards are available, they are applied rigorously. Where fixed quantitative standards are not available, companies have evolved standards and measurement systems of their own. For example, a textiles company has evolved its own system for evaluating and scoring defects. This system was initially designed with the help of some large customers - the company has now succeeded in getting most buyers to accept this system rather than have them impose their own.

One key element of system design appears to be to avoid rewarding production per se - that is, quantitative production goals are eschewed by organizations striving to achieve quality. One organization has gone so far as to resist offering any sort of incentives to production personnel on the grounds that quality may suffer as production workers and supervisors cut corners and take chances to 'make the numbers'.

Another key element of design is empowering workers to stop production and return defective items to the previous step, rather than wait for quality control to catch defects further down the line. Some production units have even eliminated quality checkpoints altogether, reasoning that every production point ought to be a quality checkpoint for the previous step.

A common feature of systems is the performance of functions and operations which do not appear to be called for even by the most stringent international standards - for instance, one particularly successful company, which needs to minimize contaminants, has resorted to washing its floors with distilled water - which no other company in the world does. These procedures are probably aimed at demonstrating by action rather than by words how important quality is to the company.

Upgrading mechanisms

A large number of interesting upgrading mechanisms are to be found in Indian companies striving to improve quality.

One company has made a practice of relying heavily on customers to communicate to its workers on the line the need for quality and what quality means to the customer - buyers who visit the plant are asked to speak directly to line workers with no interference from management. People who work in the packaging department are sent to the buyer's sites abroad to see how their packages are opened and what reactions are evoked by shoddy packaging. Such means of communication carry far greater credibility to workers on the line than mere management exhortations.

The same company has undertaken a massive training program for all employees, down to hourly and temporary workers - where they are exposed, not to technical or operating methods, but to the entire business situation of the company. While it is impossible to measure the impact of such team-building activities, the company is convinced that commitment from every worker has increased greatly since these training programs were begun.

Learning from customers has another important dimension - using customers to tell the company about best practices in other countries of the world. One company has made a practice of doing this explicitly - whenever something of interest is mentioned by a customer, the company sends a team to observe for itself how these practices work and incorporates them speedily.

Another company, which needs to minimize bacterial contaminants, routinely sends its employees to training programs where they learn the behavior of micro-organisms. The company invites world-renowned scientists in the field to visit its plants and be available to any employee who wants to discuss ideas and problems.

Quality circles do not appear to be used much by these Indian companies. This is a rather surprising observation and probably deserves closer examination. One company has just begun instituting them on a large scale, results are not yet available.

Most companies are now trying to get themselves ISO certified, though few have completed the formalities of doing this.

Table 2 summarizes our remarks on the most effective organizational designs for each of our strategic categories.

It must be noted that these represent the author's recommendations, based upon observation of successful cases. Table 2 makes no attempt to summarize the organizational designs actually observed in each category.

Table 2: Optimal Organizational Designs

	Category 1	Category 2	Category 3	Category 4
Vision	'to be a first-class citizen of the globe, able to compete with the best in the world. <--->			Pride in one's work, craftsmanship
Excellence	<----------------	transformational -------------------->		
Style	Entrepreneurial	Professional/ Participative	Entrepreneurial	Participative
Structure & Systems	Cross-functional teams	Organize along customers, use teams. Appraisal and incentive systems highly developed.	Informal, flexible use of specialized information systems.	Quality control systems.
Upgrading Mechanisms	Continuous scanning, networking, country specialist concept	on-site, 'silent' presence, peripheral vision, scenario building	mid-stream checkpoints, brainstorming	Use of customers, extensive training

V. Some Problems Encountered

The first question that naturally arises from our analysis above is - what if a company finds itself equally firmly in more than strategic category? A related though possibly simpler question is - what if it has multiple business lines which fall in different categories?

For instance, what if a company finds itself both in category 1 and 4? Can the entrepreneurial style somehow live in harmony with the participative style? Can an entrepreneur submit to the notion that group processes are more important than individual decision-making? It seems hard to imagine that it can be so. We even have the case of one large, professionally managed company which set up a new export unit with an entrepreneurial style totally foreign to its own basic culture - it ended up firing the top managers for mishandling the operation.

At best, one can imagine some kind of temporary compromise - begin first as an entrepreneur and mellow out into a more participatory style as the organization grows. It is hard to imagine going much beyond this however - "Eagles don't flock".

What of a company with multiple business lines in multiple strategic categories? It may have to consider turning itself into a network of loosely coupled divisions, each with its own unique culture and set of structures and systems. This cannot be without a cost, however - how is it possible to gain synergies across divisions if this is done? How easy will it be to transfer people from one division to another? Indeed, how is it possible to justify retaining different organizations under a single company's umbrella?

VI. Separate and Unequal?

Regardless of which strategic category they fall in, one major macro-organizational decision all our firms have had to make is whether to keep their international operations separate from their domestic operations, or to keep the two together.

If the domestic and international operations are kept together, the organization becomes exceedingly complex. The demands of domestic customers and of international customers are often quite different. The organization has to develop what Khandwalla (1992) calls 'versatile excellence' - or what a casual observer may diagnose as schizophrenia!

The company has to create separate coordination centers for domestic and international business, typically in the form of marketing groups. However, since production facilities, product development expertise, finance etc. are shared by both sides of the house, it has to decide on a case by case basis which order gets priority in using these resources. All too often, of course, international orders naturally get priority over domestic orders, which creates a certain amount of stress and ill-will between the two sides of the organization.

If the quality standards applied to domestic and international activities are different, production workers could get completely confused and could even get cynical about the whole quality thrust.

In the cases in our sample, only three or four companies have attempted to keep domestic and international business together. In each case, the company has made a conscious decision to upgrade quality on its domestic products to international standards. In atleast one case, the company has found itself forced increasingly to segments of the domestic market which are, indeed, quality conscious - at present, all too small, but, fortunately, growing.

On the other hand, the decision to keep the domestic and international sides separate is not without its own set of pitfalls.

The most obvious drawback is that the domestic operations never achieve global standards and will find the going difficult when the floodgates are opened in the Indian economy and large multinational companies begin to enter its home turf.

In the case of companies which are striving to overcome the challenge we have called 'credible expertise', the decision to keep the domestic and international sides separate often means they must forego the opportunity to build up credibility through outstanding success at home.

In the case of many software companies, whose best people have opportunities to live abroad, and are often able to jump ship and move to foreign companies abroad, special incentives have had to be created to lure people into staying home - including huge pay increases which raise the cost structure drastically for domestic operations.

In the case of one large company whose international operations are only a small part of the entire company, there have been some difficulties in getting the best managerial talent to move to the international side of the house - since the challenges of domestic and international business are quite different, experience gained in international business will not be much valued when managers contemplate moving back to the domestic side. Since the domestic side of the business is much larger, opportunities for advancement, compensation packages etc. are also much more attractive for the best managers on the domestic side.

This is a difficult decision to make. It seems clear that companies which keep international business separate are able to move more quickly and respond faster to international opportunities - while those who keep the two together are slower but may end up earning greater benefits in the long run.

VII. Conclusion

While considerable commonality is to be found in the kind of 'vision' called for to succeed in international business, there is no one set of elements of organizational design which appears to meet every situation. Different strategic situations call for different organizational designs - not a surprising result.

What is the lesson here for Indian companies? One lesson is that they should consider carefully what exactly their unique strategic situation is, and design their organizations accordingly. In this paper, we have offered some guidance in this direction.

Another important lesson may well be that, before plunging into a alluring new business line, organizations should stop to reflect on what organizational designs they may have to put in place to succeed in such a venture, whether such new designs would be in consonance with their current organization, and how such diversity will be managed. If the organization thinks through such aspects of implementation, it may find its path less fraught with lurking perils.

References

1. Balakrishnan, K., "A sequential strategic search model for identifying internationalization opportunities for Indian firms", Indian Institute of Management, Ahmedabad, Working Paper #314, 1980.

2. Khandwalla, P.N., *Organizational Designs for Excellence*, Tata McGraw-Hill, 1992.

3. Korwar, A.N., " Towards a Strategy for Software Exports: The Case for Strategic Alliances", *Vikalpa*, 1991.

4. Korwar, A.N., "Strategies for Internationalization: Issues and Lessons from Indian Case Studies", Indian Institute of Management, Ahmedabad, Working Paper #1041, 1992.