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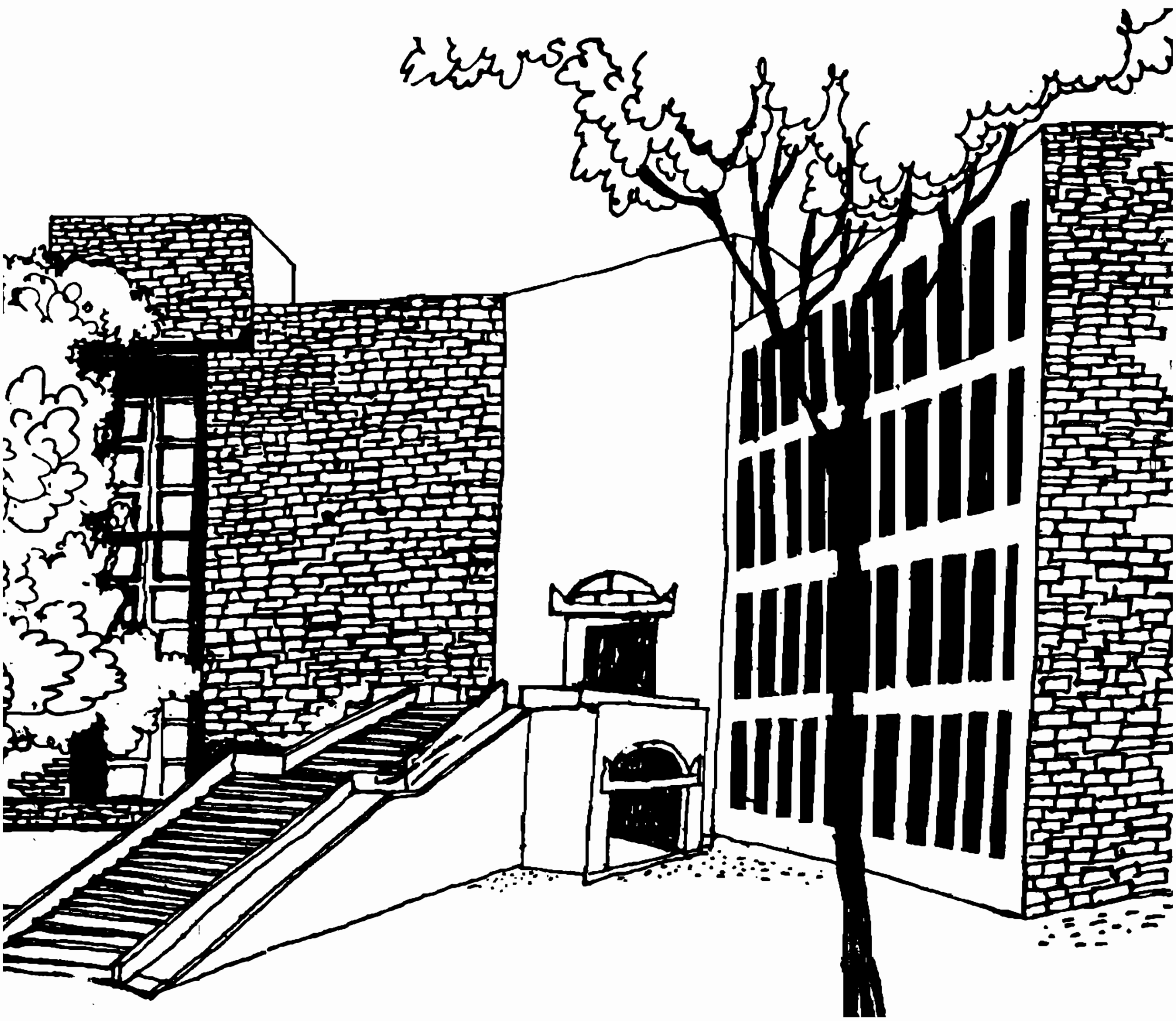

WIMC VERSUS INNOVATIVE SELF-HELP MODES OF RESTRUCTURING AND REVITALIZATION

By

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WIMC VERSUS INNOVATIVE SELF-HELP MODES OF RESTRUCTURING AND REVITALIZATION

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Abstract

Restructuring activity has picked up in corporate India, and many of the largest Indian companies have been opting for the services of Western international management consultants (WIMC). The writings of some of these consultants indicate the sort of restructuring they tend to favour. Recent restructuring examples, of BILT and SBI, in which WIMC were hired, indicate the strengths and weaknesses of the WIMC mode. The WIMC mode of restructuring is contrasted with an innovative, self-help mode of restructuring pursued by several Indian and Western corporations. This mode relies on participative diagnosis of the strengths and weaknesses of the organization, mobilization of the stakeholders for change and for identifying needed changes, improvisation by the stakeholders of the way changes are to be brought about, and participative implementation of changes. There is only very limited reliance on external consultants, and the top management plays more of a catalytic than a directive role. Two examples are discussed, the first of the restructuring of SAIL in the mid-eighties, and the other of the restructuring of Siemens Nixdorf, the German IT major, in the mid-nineties. Some implications are advanced for Indian corporates wishing to restructure.

Nature of Restructuring

Restructuring means realignment of the major instrumentalities of management for greater effectiveness. These instrumentalities include corporate philosophy and core values; the style of managing and making decisions; corporate competitive and growth strategies; HRD, MIS, and other management systems; superstructure (organization chart) and infrastructure (decentralization, standardization, and specialization of functions); and technology, workflow, and other business processes. Realignment means that these major elements of organizational design are made at least compatible with one another, better still, mutually and positively reinforcing. Organizations keep on adapting in response to internal and external changes. Restructuring, however, is a major change amounting sometimes to a discontinuity from the past ways of the organization. It usually occurs either in response to a major external change such as liberalization, or a major internal change such as serious management and organizational failure. It may also be resorted to for keeping up with the Joneses or for its symbolic value.

Restructuring can be driven by change in any of the principal elements of management, and there are major choices in what and how to change. If restructuring is driven by changes in corporate philosophy, core values or management style, the major choices are between more authoritarian and more participatory management, more of the "free form" organic or of the mechanistic--bureaucratic mode, more of the professionalist, systems oriented or of the intuitive mode, greater entrepreneurship versus greater conservatism and sticking-to-the knitting, more of the idealistic, altruistic or more of the commercial mode, and so forth[1]. When restructuring is driven by changes in corporate strategy, some of the choices are competing primarily on the basis of cost, quality, differentiation, or novelty[2], and growing on the basis of greater globalization, acquisitions and joint ventures, or plant expansions. When restructuring is driven by changes in structure, there are major choices in whether to maintain a functional focus or a profit focus by creating profit centres, and whether or not to delayer, or decentralize, or standardize operations and practices more[3]. There are similar choices when restructuring is driven by changes in

MIS, HRD, corporate planning or other management system changes, or changes in technology, workflow or other business and technical processes. Whatever the driver of restructuring, synergistic changes are usually required in the remaining elements of management as part of overall realignment.

Similarly, there are choices in the way restructuring is attempted. It may be planned and executed by the top management with or without the participation of other stakeholders. Restructuring can be attempted all at one go, a comprehensive plunge, so to speak, or phased over a relatively long period of time. It may be attempted with or without the expert advice of consultants. It may be attempted as an execution of a preconceived blueprint, or in an evolutionary manner, with each change being assessed for its learnings, implications, and consequences, and further changes identified and planned from this assessment. Restructuring can be imitative, that is, conform to what some leading organization has done, or it can be innovative, with much experimentation, improvization, and pioneering.

Popularity of Corporate Restructuring in India

Corporate restructuring in India is currently 'hot'. A 1994 study of 92 public and private sector corporations found that 81 had been restructured or were undergoing or planning restructuring[4]. The most common restructuring changes were gaining greater customer focus through greater decentralization and delayering, more focussed human resource development and staff redeployment, and revamping of the functions of production, personnel, marketing, finance, and MIS. A Business World report in early 1999 indicated that most of the nation's largest 200 companies had undergone or were undergoing restructuring[5].

Liberalization and globalization have ushered into corporate India a run for the services of international management consultants. In the emerging era of hypercompetition and technological turbulence, there is a need for major corporate changes. Strategies that worked in the earlier era--of grabbing licenses by fair means or foul and maximizing production in a sellers' market--either are much less needed or do not work in the new scenario. Nor may some of the earlier styles of management--commonly the slow change bureaucratic style in the public sector and the low professionalism paternalistic style in the private sector--work as well today. There is a clear need for more professionalism, greater concern for the customer, greater investment in HRD, flatter structures, better MIS, greater decentralization, rightsizing, greater attention to value driving processes, a better understanding of international markets and international best practices, etc., etc. These are the areas of core competence of international management consultants, and no wonder, therefore, that there is a corporate run for their services. Consultants like Arthur D. Little, Andersen Consulting, A.T. Kearney, Booz, Allen & Hamilton, Boston Consulting Group, KPMG, McKinsey and Price Waterhouse have bagged such corporate clients as State Bank, ONGC, SAIL, Bharat Petroleum, L&T, Hindustan Lever, Dabur, BILT, United Phosphorous, Godrej Soaps, and the RPG, DCM, Kumaramangalam Birla, and Murugappa Groups.

But there are also some genuine doubts about the short term and long term benefits of these often very expensive international management consultants.. Nadir Godrej has reportedly quipped, "I feel that consultants tend to have the habit of borrowing your watch in order to tell you the time."[6] There are also concerns about the familiarity of these consultants with Indian operating conditions, culture, values, and constraints, and the relevance of their advice in Indian conditions. Mr. Vikram Thapar of BILT reportedly commented, "Nobody takes consultants at face value. The definitely make mistakes."[7] He pointed out what he considered a serious error on the part of McKinsey that was attributable to deficiencies in the latter's perspectives on the Indian market and to overlearning from their global experience. Mr. S.K. Bhattacharya of Warwick Manufacturing Group reportedly criticized the simplistic solutions of some of the consultants: "In most of the change processes, you are changing from one culture to some other culture. You cannot just impose somebody else's vision about that; you will have rejection. So when you have consultants going from A to B to C, what are they doing? They are doing the simplistic stuff ......"[8]. There have also been adverse whispers about international consultants dispatching young, inexperienced, bookish MBAs barely out of business schools to advice experienced corporate managements.[9]

Since the international management consultants are mostly US or UK based, where hire and fire methods are part of the corporate culture, and massive downsizings frequently are resorted to, often the staff fears retrenchment on these consultants being hired, and this demotivates the staff. Finally, there is apparently no hard evidence that companies that have availed of the services of international management consultants have consistently benefitted either in the short term or the long term.

The popularity of international management consultants and the misgivings about them beg a clearer picture of just what sort of restructuring the international management consultants are promoting, so that corporate managements can guage its relevance to their situations.

The WIMC Mode of Restructuring

Writings are available of representatives of Western international management consultants (WIMC) in the context of the restructuring of national oil companies. They indicate a broad consensus among them on the fundamentals of what may constitute effective corporate restructuring in India. These writers include Carol Bell of J.P. Morgan, Stuart Saint of Arthur D. Little, Nicholas Bloy of Boston Consulting Group, Howard E. Harris and Leo Puri of McKinsey, David Moore of Arthur Andersen, and Ted Montague of Ernst and Young.[10] The consensus appears to be on the following points:

1. Goal of higher earnings: There can be many reasons for corporate restructuring, but the underlying goal in the WIMC mode seems to be delivery of higher earnings and creation of greater corporate value. As Carol Bell put it, "Restructuring is a relentless process .... Delivering earnings growth is what stock markets appreciate"[11]. Howard E. Harris wrote, "Liberalization and privatization will result in increased competition. Indian .... companies will need to maximize value through ..... operational performance improvement"[12] Nicholas Bloy explained value creation thus: "... the mechanisms of value creation relate to the ability of the organization to generate cash and it is the present value of the cash that defines what value creation is"[13] So did Leo Puri of McKinsey: "What is value creation? Simply put, value creation is return on investment minus cost of funds times invested capital"[14].

2. *Focus and core competence*: A cardinal element of WIMC restructuring is sharper focus. As Stuart Saint put it, "One fundamental drive which companies ought to make is to work out what they are going to concentrate on .... In many companies business has tended to be a little haphazard and this has created a clutter of activities which divert management attention and use financial resources which are generally scarce and can be more effectively applied to the core business"[15]. Further, "The fundamental issue facing any company as it starts to restructure is to say exactly what are the key businesses or core competencies which it wishes to use in order to drive the company forward"[16]. Carol Bell opined, "Indian companies should definitely concentrate on what they know best. ..... as an equity analyst, I do not care whether a company is upstream, downstream, or integrated. I see that it gives good returns for the investors, and the best way to do is to concentrate on what you know best"[17]. David Moore of Arthur Andersen advised, "The enterprises have to be made into focused businesses"[18]. Focus implies the definition of what business or businesses to be in, which in turn according to WIMC depends upon the corporation's core competence[19].

3. *Selective divestiture and networking*: Given the importance of focus and core competence, corporates should exit from peripheral, low priority or non-core competence activities. As Stuart Saint declared, "We have been working with a number of companies .... to determine what are the critical aspects of their business which they must own and manage themselves; and which elements of their business they can effectively manage through a third party"[20]. Divestitute need not mean complete exit; the company can still have an involvement with an activity or business through a joint venture or strategic alliance. As Stuart Saint explained, "If we look at the moves of the industry over the last

20-30 years, they have progressively focused or required that what really matters is where they create value They still undertake a number of activities within the company which support rather than add true value .... What really does add value within the company is putting the activities that support it more on a joint venture or partnership basis"[21]. Leo Puri, too, called for strategic partnerships as well as outsourcing to add value. Howard Harris recommended strategic alliances: "..... strategic alliances can provide complementary capabilities, improve economics, lower risk and add value"[22].

4. Vision, strategy and structure: According to WIMC representatives, companies need to be clear on what peak they want to scale, by when, how, and how they would measure progress. Stuart Saint put this well, "Another powerful force is the way in which companies have restructured by having a clear and ambitious view of where they wish to go. They have a vision in terms of what precisely they wish to achieve in the form of an ambition-driven strategy .... The vision has been generated out of a set of values in terms of what one stands for and a set of views of the future"[23]. Nicholas Bloy advised managements to ask some right questions:[24]

1. What is the corporate vision for 2005 AD (eg. to be a multinational company of choice, creating value through growth and continuous improvement)?
2. What quantitative objectives would indicate vision achievement?
3. Given the vision what strategies need to be implemented to achieve it?
4. What are the key value-driving processes in the company's businesses and how to improve them?
5. What is to be done next?

Leo Puri indicated the need to dovetail organizational structure and systems with business vision.

5. Proactive leadership: International management consultants encourage a proactive, firm (though not necessarily authoritarian) leadership. As Stuart Saint put it, "All restructuring has to be sustained. Here the critical aspect is obviously the management style to realize the restructuring success. Experience tells us that in companies where this has been successful, there was a clear leadership style ..... that which is prepared to take charge at the top, and demonstrate commitment to the process. Leadership includes empowerment, counselling and encouragement"[25] Nicholas Bloy advised. "The demonstration of leadership involves the ability to relate on a one-to-one level with relatively junior employees to have an impart on the morale of organization[26]

6. Empowerment: Empowerment can take several forms: delegation of operating authority, skilling, better information for decision making, etc. Leo Puri of McKinsey called for mobilization of power through greater delegation to the 'front line' but with sharper performance accountability. To Stuart Saint, delegation was one of the seven pillars of restructuring wisdom. Howard Harris called for change from centralized decision making to decentralized decision making and a change to an SBUs-type lines of business structure from a functional structure.

According to David Moore, people need to be reoriented towards broader capabilities, with greater authority, responsibility and accountability. Howard Harris wrote of the importance of building capability platforms in response to the progress of liberalization. For instance, corporate alliance creating skills and skills in managing government need to be strengthened once oversees joint ventures are allowed; project evaluation and capital expenditure skills need to be inculcated once constraints on capital investment are removed; pricing and trading skills need to be emplaced when there is liberalization of product pricing and imports. Saint included coaching and training in his seven pillars of restructuring wisdom. But delegation and skilling may not be enough. For effective decision making, needed information should be quickly made available to managers. This requires an effective MIS. David Moore called for upgradation of information for decision making and Ted Montague for wider use of IT.

7. Reengineering processes: Processes involved in the value-creation chain need to be identified and revamped, as Bloy suggested. Stuart Saint asserted that a high performance business is one which satisfies its shareholders by improving its processes and aligning its organization and resources. Carol Bell, too, emphasised redesigning processes: "The business process redesign is an important component of the whole restructuring exercise,"[27] and so did David Moore, who advocated streamlined processes.

8. Deregulation and privatization: For restructuring public enterprises, WIMC tend to favour dovetailing restructuring with deregulation and privatization. Bell emphasised: " .... there is a need for having a clearly defined deregulation path ...... Plans should be laid out, with a time-table of when exactly each path of the deregulation is going to happen. Translating that into company profits becomes much easier for equity analysts."[28] Bell opined that the lower the government ownership the better, as far as market valuation was concerned. Moore was even more forthright: "The truly effective companies are finding that they can compete more effectively if they are in private hands."[29]

9. Downsizing: The international management consultants seemed to underplay downsizing in Indian conditions. As Bell put it, 'As long as there is a big growth market for .... products, the market is prepared to accept and be more forgiving of having large labour forces than it would otherwise be."[30] Nonetheless the relatively strong endorsement of the restructuring of YPF, the Argentinian national oil company by Saint, Bloy, and Puri suggest that this underplaying is only tactical. To add value, YPF shed over 44000 of its 50000 employees as part of its restructuring, and all the major international consultancy companies were party to this restructuring.[31] As Bloy commented on YPF's restructuring: "Its transformation was painful ..... but the end appears to justify the means."[32] Once downsizing becomes socially and politically acceptable in India, it could quickly become a major plank of the WIMC restructuring strategies. Saint wrote: "The story of YPF is perhaps of particular relevance to the situation in India."[33]

Not every Western international management consultant endorsed the above coldly commercially rational, top-down model of restructuring. Arun Maira of Arthur D. Little, for instance, strongly emphasised organizational learning, innovation, and the efficacy of being people-centered: "The only sustainable competitive advantage is your organization's ability to learn, change and improve faster than any potential competitor ...... Transformational change is a process of innovation innovation in strategies, in organization, in systems, in operations .. it is imperative to make people the discoverers and owners of the new ideas rather than sceptical recipients of others' smart solutions."[34] His approach seemed to differ strikingly from the more analytical, elitist restructuring promoted by the other international management consultants. Arun Maira's prior experiences as a TELCO executive may have tempered his views.

The typical WIMC modus operandi reportedly is to ask the client company to set up an in-house team to assist the consultants.[35] It typically asks that the future leaders of the company are assigned to the team. Such a team not only facilitates the investigative work of the consultants but also provides them with a ready source to test the reality of their hunches, findings, and recommendations. This way the internal team improves the chances of the consultants' recommendations being implemented.

WIMC Restructuring: Some Indian Examples

Some recent examples of WIMC-advised restructurings may concretize the abstract model sketched out in the earlier section. Ballarpur Industries Limited (BILT), the flagship of the L.M. Thapar group, was in tatters two years ago.[36] The management hired McKinsey to restructure the company. BILT was highly diversified, and was into paper, chemicals, glass, edible oils, leather, ingots, castings, etc. This spread of products was serviced by some 14 divisions. Its core businesses, paper and chemicals were not doing well; interest burden was high; and there was apparently over-staffing. There was also apparently some bad blood between the family representatives of the Thapars in BILT's top management. Under McKinsey's advice, 14 divisions were restructured into four divisions that became autonomous SBUs. All other businesses except paper were hived off to another group company. Diversification was put on hold, although expansion of paper capacity at minimal additional cost was planned to reap economies of scale. There was sharp cost cutting and economizing, involving cost reduction at the corporate headquarters through reducing office space and salaries, and economizing on operations. A foreign technological joint venture in industrial paper was being planned A net profit of Rs.160 m. on a turnover of Rs.7000 m was expected for the year 1998-99 The price of BILT share rose from around Rs 13 in 1997 to Rs.44 in May 1999

State Bank of India (SBI) is one of the public sector companies that has been restructured on the advice of McKinsey.[37] In the nineties SBI experienced a falling market share and a return on assets that was far lower than that of private sector banks in India. Customer surveys did not paint a rosy picture of customer loyalty. After its restructurings in 1971 and 1979, a large number of incremental changes had been made that made the structure somewhat wayward. Under McKinsey's counsel, SBI developed a vision statement that stressed world class standards of efficiency, and high and sustained earnings to maximize shareholder value. It also stressed core values and its customary national social commitment. A number of strategies, systems and structures were emplaced to translate the vision into action. The major strategic change was market segmentation for sharper focus, most notably large corporate accounts, leasing business, project finance business, and international banking, as well, of course, its traditional bread and butter business of personal banking, commercial banking, and developmental banking. Each of the major market segments was assigned a relatively autonomous strategic business unit. For each group "value propositions" were identified, that is, attributes SBI was to try and add to its products/services to make them competitive and attractive to the customer. Dedicated teams were created to service each major corporate account. Corporate centre was made leaner, and was to focus only on long term planning and policy formulation, with no active role in daily operations. Accountability was more sharply defined. Several key processes were identified for streamlining, such as credit and risk management, performance management, technology, and human resource management.

Changes were also made at the level of the major regional "circles". Two focused networks, one relating to the commercial business and the other related to personal and development banking were designed. Planning support was provided to operations through business planners and sales planners. For streamlining processes (such as the

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credit granting process), instead of every official forming part of the relevant administrative hierarchy participating in the credit sanctioning process, value was added by making participation more specialized by sub-process. As part of greater decentralization, credit sanctioning powers were enhanced at various levels. Sanctioning of credit proposals was turned over to committees.

Some new departments were created, such as the risk management department and the credit policy and procedures department. A credit audit system was installed to audit each sanctioned large advance to cut down on non-performing assets. The performance management system was streamlined to assess the real profitability of each major business group. A high powered asset-liability management committee was set up to ensure a better match between assets and liabilities. The human resource management function was strengthened by assigning it to a top executive (deputy managing director), by creating a high powered human resources committee to deal with policy issues in human resource management, and by decentralizing decision making in this area. A large number of committees were set up at the corporate centre with overlapping membership to strengthen integrated functioning.

SBI restructuring was carried out in 1996. SBI's total income was 15% higher in 1996-97 compared to the previous year and net profit was 60% higher. But in the first half of 1997-98, growth in total income was less than 1% (versus an average of 4.6% growth for 16 banks), and gross profits were down 20%, versus decline of 4.6% in the gross profits of the 16 banks.[38]

Both of these WIMC restructurings highlight the strengths of the WIMC approach--a strong commercial orientation, sharp strategising, more decentralized structure but with a more precise accountability, revamped processes and systems, pruned costs, and an integrated, internally consistent change. But they also highlight its weaknesses--very little staff participation in planning for change, decision making, or implementation; very little creative entrepreneurship and innovation; virtually no appeal to the heart; no ownership of change by stakeholders other than the owners or top management; no sense of corporate social responsibility in the context of a developing society. In the case of SBI, for example, since the rank-and-file had virtually no ownership of the many structural and other changes, it remained to be seen whether these changes would work or remain largely cosmetic, with increased cynicism in the rank-and-file. There may be other weaknesses, too. Where divestiture is recommended to get back to "core competence", as in the case of McKinsey's advise to Dabur management,[39] the corporation is exposed to the risk of losing all if a technological or other innovation were to render the corporation's core capabilities obsolete. BILT, for example, divested itself of almost all businesses except paper. What would happen to BILT if a technological process or product change rendered BILT's plants obsolete? It was entrepreneurship that created BILT in the first place. How long would BILT survive without entrepreneurship in a highly competitive, turbulent world? Table 1 summarizes some of the nagging concerns about the efficacy of the WIMC approach. Unless these concerns are addressed, it is difficult to see the long term benefits of WIMC restructuring.

(Table 1 about here)

Innovative Self-help Restructuring and Revitalization

The WIMC mode is not the only available mode of restructuring. As against the WIMC mode of consultant driven restructuring, in which international consultants tell management what goals to pursue, what is appropriate focus for the corporation based on their assessment of the company's core competencies, what the company should divest, what vision strategy, and structure it should pursue, how much it should downsize, etc., there are examples of profound and innovative restructuring and revitalization that rely minimally, if at all, on consultants. Instead, the corporations participatively develop an agenda of change largely on their own steam, participatively design tailor-made, often innovative changes, and implement them also participatively. A couple of examples illustrate the mechanisms involved.

SAIL: In the mid-eighties SAIL was a deeply sick company, not because of demand recession in steel, but because of obsolete technology and neglected modernization, runaway overtime, overmanning, gross inefficiencies, poor work ethic, top management discontinuity, over-regulation by the central government, and so on. The corporation needed an obvious overhaul. Instead of relying on external consultants to tell the management what needed to be done, the new chief executive, an experienced public sector professional manager, set about vigorously to try and find out what had to be done on a priority basis.[40] He spent several months meeting his officers and staff, workers, customers, government officials, union leaders, etc. He explained SAIL's predicament and asked for suggestions. Out of this interaction emerged SAIL's Priorities for Action, a document that was dispatched to every one of SAIL's quarter million employees. The CEO personally participated in 2-days briefing workshops on the Priorities for Action that were held for the company's general managers. The workshops were held in batches of around 80 each. These 500-odd executives conducted similar workshops for their staff when they returned to their departments. Shift meetings of employees were held at SAIL plants to discuss Priorities for Action and evolve local priorities and needed changes. A vast HRD effort was launched that was focused on implementing Priorities for Action. Tens of thousands received some form or the other of formal training, including multi-skilling for the workforce. Human resource management was improved by amending the appraisal system, adoption of manpower planning, changes in the incentive system, and improved grievance and welfare systems. The machinery for plant-level participative management was strengthened. Overtime was banned. Several thousand workers were redeployed from surplus manpower situations to scarce manpower situations. Blue collar indicipline was curbed through tough actions. A VRS was launched, and a few thousand workers opted for it.

There were other actions as well. An energy audit was conducted that led to a 9% reduction in the consumption of coke per ton of steel. Millions were saved by replacing fuel oil by gas at the Durgapur Steel Plant. A captive power plant of 120 MW was installed to reduce closures due to power outages. LD-concast and other new technologies were progressively adopted, and a massive modernization plan was launched, that increased worker productivity. Project management was revamped to cut down time and cost overruns, and the budgetary, financial and production controls were redesigned to facilitate implementation of Priorities for Action. Decentralization was pushed, resulting in greater autonomy to the SAIL units. Delayering at plants led to elimination of 2 levels. Several higher level posts were created to strengthen such crucial functions as HRD and project management.

There was neither divestitute nor mass lay offs, two favourities of Western international management consultants. Yet, per capita productivity increased at nearly 10% per annum, energy consumption per ton declined by about 3% per annum, and from a loss of over Rs.2500 millions during 1981-82 to 1984-85, SAIL made a profit of Rs.1590 millions in 1985-86 without raising steel prices. The profit increased to Rs.3020 milions in 1988-89. Profits rose to over rupees ten thousand millions in the mid-nineties, indicating that SAIL had indeed built up strong capabilities after the mid-eighties. Except in the area of HRD, SAIL did not avail of consultancy help to any significant extent in its restructuring effort. SAIL provides a drammatic example of what innovative self-help can accomplish under a transformational leader who takes the trouble to mobilize the managers, staff, and workers.

SAIL is not the only Indian example of successful self-help driven innovative restructuring and revitalization catalyzed by a dynamic, professional top management. Bank of Baroda in the early nineties, Andhra Pradesh Rayons in the mid-nineties, Jaipur Metals in the mid-eighties, Burroughs and Welcome (India) in the late eighties, and Ramon and Demm under Eicher management in the mid-nineties are some of the other examples.[41]

An example of largely self-help, highly innovative restructuring and revitalization is provided from a hyper-competitive environment. This is of Siemens Nixdorf (SNI) of Germany, one of Europe's largest information technology companies.

<u>**SNI**</u>: In the early nineties Siemens Nixdorf (SNI), producer of data processing equipment including mainframes and PCs, software, and IT services, was a huge corporation with nearly 40000 staff and DM 12000 million annual revenues. It was operating in a hyper-

competitive environment It was a bit rigid and engineering oriented in a very dynamic, customer dominated industry. It lost DM 350 million in 1993-94 A new CEO took official charge in late 1994. But even before taking charage, for 3 months he spent time at SNI talking to managers, thousands of employees, customers, and other stakeholders about SNI's problems and seeking suggestions.[42] Upon taking charge, one of his first acts was to call in three persons he judged were effective change agents, namely, the heads of corporate communications, corporate strategy, and human resource management. Their brief was to identify 30 other live wires in the company who also could act as change agents. This core change agent team of 30 developed a 19-point programme of action that emphasized mind-set change and behavioural change along 30 dimensions. The team availed of the help of a professor from Babson College to develop a framework and agenda for massive change towards an entrepreneurial culture. To bring about culture change, the 30 core team members in turn "recruited" another 2000 "opinion leaders" from round the company. These 2000 were sent to the US for a 13 weeks course, during which they visited American companies that were restructuring, visited several Silicon Valley companies to imbibe their entrepreneurial culture, and got formal training in some aspects of professional management. Despite its financial problems, the company spent some $ 10000 per person for this course.

A schedule of change spread over four quarters was developed and publicized. Each quarter, change was kicked off by a workshop at Hanover, Germany. Each workshop was around a set of specific issues representing milestones in the transformation process. Each workshop culminated with an agreed upon list of actions to be implemented. A large number of cross-functional project teams were formed to implement these. The achievements of these project teams were displayed at a Results Fair in May 1995, attended by over 12000 employees. A number of virtual teams sprang up all over the company around common interests or competencies whose members communicated with each other through the intranet. "Town meetings" were conducted by senior managers all over the plants to discuss the company's problems with the workforce and to elicit their ideas and suggestions. Twice monthly a "Friday Forum" was held for interaction between local staff and managers. Every now and then a "flash report" on new developments was transmitted electronically to all the employees

The change effort covered several other dimensions. The heads of the company's businesses did "baselining," that is, outlined their core competencies and their options for the future. A matrix structure was created (regional and product-based) to facilitate "think globally and act locally". The company was broken up into some 250 units, and each of them was headed by an entrepreneurial type with considerable operating autonomy. Delayering resulted in the number of layers between managers and customers being reduced to 3. To bring in more focus, SNI divested 22 businesses but also added 10 new ones. All the businesses were grouped into 12 lines of businesses (LOBs), in which the unit heads were supported by the regional and country organizations. Business plans were evolved jointly by the LOB manager, the country manager, account managers, and heads of businesses.

To drive productivity, each manager identified "key yield points" to improve processes and also the non-financials. Each LOB defined its own set of non-financials. Change tools like cost-benefit analysis and various problem solving techniques were made available to decision makers in pocket guide form. Business process reengineering of SAP was used to produce solutions and services, and all the core processes, like order processing and materials management, were mapped onto SAP systems and globally networked. To motivate employees, they were given the freedom to choose from a list the criteria on which they could be evaluated, and thus become eligible for reward on exceeding targets on these self-chosen criteria. An MIS innovation was the "balanced scorecard" for senior managers. The scorecard provided information on the monthly financials plus crisp value propositions for their businesses relevant to baselining, such as customer satisfaction, intellectual property, and shareholder value. Data on all 250 business units were presented monthly to the executive board in "deep detail." Product innovation was stepped up, so that in any year two-thirds of products and services were less than 2 years old.

SNI management did use an external consultant, but, like Arun Maira, one with an entrepreneurial, innovation-oriented mindset The role he played was that of a catalyst rather than a preceptor. The top management, too, played more of a catalytic role than a directive role. The company changed profoundly, but process-wise, very differently compared to the change through the WIMC mode Besides utilising some of the changes and tools WIMC usually suggest, such as profit centres, business process reengineering, MIS, and delayering, SNI as an organization collectively threw up a whole lot of innovations like multiplying change agents and investing in their training, workshops to brainstorm on needed changes, numerous task forces to implement changes, Results Fair to publicize teams' achievements, "town meetings", "baselining", "Friday Forums", "key yield points," "balanced scorecard", virtual teams, and so forth. The widespread change agentry worked: after the heavy loss of 1993-94, the company broke even in 1995-96, and posted a DM 550 million profit in 1996-97.

SNI is hardly unique in the West in pursuing the innovative self-help mode. Companies like British Air, British Steel, Continental Airlines, Chrysler, Italtel, Lufthansa, National Semiconductors, Philips, Scandinavian Airlines have all followed, in their hour of change, modes of innovative self-help with only modest and highly selective recourse to external consultants, that led to recovery from slump and sharp increases in profitability. Most of these picked consultants not for downsizing, focus, reorganization, or diversiture, but rather for helping management evolve change strategies and implement them by harnessing the corporation's human resources innovatively.

Concluding Comments

There are huge differences between the WIMC mode and the innovative self-help mode of restructuring and revitalization. These are both philosophical and operational. The WIMC mode is all-encompassing, coldly analytical and technocratic, and top-down. There is often a clear priority to the interests of one set of stakeholders, namely the owners and top managers, over others such as the staff. There is high dependency on the wisdom of the consultants, and sometimes blind acceptance of their assumptions, values, and logic The relationship between the consultants and the staff and other stakeholders, other than management, is arms length, and the relationship with even management usually ceases once the consultancy report is accepted by the client and handed over to the management The relationship usually does not extend to the implementation of the report. There is a preconceived blueprint quality to the recommendations of the consultants. Motivating the staff and managers is usually conceived in terms of financial incentives, rather than in terms of the excitement that comes from challenge, collective mission, creativity and innovation, participative decision making, and meaningful work. The WIMC mode by and large works with the "economic man" view of human beings, and profit and shareholder value as the overarching goals of companies.

As against these features of the WIMC mode are the distinctively different features of the innovative self-help mode. The top management play a strategically important role, but that role is that of the catalyst, a setter of context in which innovation can take place and aspirations can soar. The way the restructuring strategy gets evolved is also distinctive. There is usually tremendous amount of hands-on diagnostic work that the top executives perform, with or without the help of external consultants, which is supplemented by in-house workshops and diagnostic meetings with extensive participation of the stakeholders. This diagnostic work throws up a rich brew of ideas for changes and innovations, and in turn leads to a sense of heady excitement as individuals and teams all over the organization begin to implement what they believe is important and desirable for the organization. There may be no democracy, in the sense of elections and votes on issues; but there is usually a strong tense of participation and empowerment. Strategies, structures, systems, and processes evolve organically through extensive and intensive horizontal as well as vertical interactions. Organizational learning about what may work and what may not, is not confined to a coterie at the top, but spreads throughout the organization. Also, organizational learning and adaptation is not a sporadic process, but a continuous process that keeps the organization attuned to internal and external challenges and opportunities. Consultants may be used, but selectively, in response to fairly precisely understood needs.

HRD is often a very important element in the revitalization strategy, and consultants, when used, tend to be hired either for very technical work like computerization, or for innovatively harnessing the human resources for the organization's revitalization.

But it is not roses all the way for the self-help mode. The top management may feel a loss of control as changes happen that may be very different from those it desires or expects Efficiency may be low as experimentation and innovation become the rage. Accountability may get diffused as decisions emerge from interactions and consensus processes rather than are taken by designated executives. In the process many mistakes can go unpunished or uncorrected. The entire edifice of hierarchical management control can totter. There is, however, a way to cut the costs of loss of management control: collective review and course correction.

Ultimately, the choice between the WIMC mode and the self-help mode is one of values and commitments, possibly also of economics. If management is committed to its rule and wishes only a marginal role for the other stakeholders, if it wants a part of the brand equity of WIMC, the WIMC mode may be preferred. If it is committed to innovation, empowerment of stakeholders, high levels of motivation, and making the organization a unique one, the innovative self-help mode may be preferred. Economics may also play a part in the choice. The fees charged by WIMC are high, often beyond the wallets of companies, certainly of companies in financial distress. The latter may have no choice but to go the self help way. But if they do, they may be well-advised to invest in collective diagnosis, mobilization of the stakeholders for change through extensive and intensive communications, empowerment not only through formal delegation of authority but also through the opportunity to contribute to the evolving of the restructuring strategy, considerable investment in HRD, and support for widespread experimentation and innovation.

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TABLE 1

POINTS TO PONDER ABOUT THE WIMC MODE

* If major changes are made top-down on the basis of recommendations of consultants, can there be commitment of the other stakeholders (middle management, white collar staff, workers, customers, suppliers, etc.) to these changes?

* Every analysis is as good as the underlying assumptions. If they are not fully valid or false, the restructuring could be inappropriate. Crucial assumptions relate to core competencies, public policy, the future of the organizations markets, the behaviour of competitors, and what motivates stakeholders. Selective perception/limited information implicit in a top-down approach could lead to wrong choices.

* If repositioning for competitive advantage or growth is too narrow or rigid, will the organization have the flexibility to cope with unexpected changes in the market place, or to seize unexpected opportunities? If divestiture is contemplated of "peripheral" (to core competencies) businesses, would this not diminish the skills pool and growth opportunities of the organization?

* How realistic is significant downsizing in the Asian context? What are its costs in terms of staff motivation and public image? Would delayering not reduce promotion opportunities? does the organization have sufficient management depth to facilitate effective decentralization?

* In the context of poverty ridden, developing societies like India's, don't corporations have any social responsibility? Is "bottom line" everything? Wouldn't excessive commercial orientation erode the loyalty and commitment stakeholders may have for the organization?

* Does strong leadership amount to a repressive mode of management? How tenable is it in today's times? Does it not carry with it large costs?

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