

LEADERSHIP LESSONS FROM INDIA

Business leaders may want to take a lesson from CEOs in India, who put shareholder value fourth on their list of priorities. Not only are the Indian companies able to do well while doing good, there is every reason to believe that they have done well precisely because they are doing good.

In an interesting sign of the times, the most impressive business leaders at the moment may be in India. What makes them impressive is a commitment to social goals that extend beyond the interests of their firms and -- here's the good part -- stunningly impressive performance. They don't appear to be paying any price in terms of performance for being good citizens.

The Indian economy largely sidestepped the financial crisis because of wise banking practices; its overall growth rate is second in the world, only to China. Its major corporations are growing at rates of 20 percent to 40 percent per year, competing and winning in precisely the international markets where the future is in: high-skilled service industries. Indian companies have been on an acquisition binge, and the evidence suggests that when they acquire foreign companies, those companies perform better. And Indian executives are increasingly on the short list for leadership positions in Europe and elsewhere.

My colleagues -- Harbir Singh, Jitendra Singh and Michael Useem -- and I recently completed a study of Indian businesses based around interviews with the leaders of 100 of the biggest companies in India. *The India Way: How India's Top Business Leaders Are Revolutionizing Management* published recently by Harvard Business School Press describes this progress.

Here's a finding from the study that should get your attention: Participants were what their priorities were. Here's what the Indian leaders said:

Indian Business Leader Priorities

1. Chief input for business strategy;
2. Keeper of organizational culture;
3. Guide or teacher for employees;
4. Representative of owner and investor interests; and
5. Representative of other stakeholders (e.g., employees and the community).

Shareholder value comes fourth on the list, and that's true for companies that are listed on U.S. stock exchanges as well as for companies that are family controlled. That's not as stunning as the priority that beats it, No. 3 on the list: serving as a good role model for employees. By that, they didn't just mean a role model in the sense of a hard-working employee. They mean as a citizen and member of society. Keeper of organizational culture, No. 2 on their list, fits in with the No. 1 item, shaping corporate strategy.

In these companies, competitiveness is seen as coming from within the firm, not from clever marketing strategies, financial deals, or mergers and acquisitions -- but through superior capabilities at problem solving and execution, which fundamentally come down to employees and the way they are managed. Culture plays a big role there. Every executive we interviewed described the main objective of their company in terms of a social mission. It wasn't primarily to make money.

In the case of Bharti Airtel, it is to get cell phones into the hands of people who have no means to communicate; for ICICI Bank, it is to provide financial help to those with no access to banking; for Dr. Reddy's, the pharmaceutical company, it is to address healthcare needs the world over; for Infosys, it is to show that Indian business can lead in technology.

Business strategy is based on the social mission. And they put their money behind mission at a level. Sixty-five percent of the profits of Tata Group companies go to charities. Infosys built and staffed entire hospitals in different regions of the country, rolling out a national curriculum to develop IT skills at the same time. Dr. Reddy's provides for the healthcare needs for 40,000 children. The list goes on and on.

Not only are the Indian companies able to do well while doing good, there is every reason to believe that they have done well precisely *because* they are doing good. Helping poor people pays off when those people get money and become consumers, as millions of Indians have done every year. It also helps in a still-regulated economy to get government permissions and approvals.

But the biggest reason is that social mission provides a powerful means for motivating employees. We have long known that employees do much better when they see how their tasks contribute to the overall goal of the organization, and new research by

my colleague Adam Grant -- "The Significance of Task Significance: Job Performance Effects, Relational Mechanisms, and Boundary Conditions," published in the *Journal of Applied Psychology* -- shows that the results are especially powerful when those goals relate to helping people. Performance is two or three times better. Other evidence suggests that a strong social mission makes it easier to attract and retain employees. Mission drives employee performance, which drives strategy.

Further as reported in the *Indian Human Resources Management and Talent Mindset*, a study published by the Society for Human Resource Management, the culture has had certain imperatives in shaping the approach to managing and developing employees. With tremendous growth opportunities in India, competition for talent is keen. There is reported a blending of values of both traditional and/or western practices into a unique form of management. Still traditional characteristics remain- authority, hierarchal networks, community boundaries and acceptance of ambiguity. In an Indian organization, the team tends to be more important than focus on the individual contributor. Additionally titles are important, management models and theories of great interest, and citing recognized authorities brings credibility. Ultimately, managers with global links will create opportunities to develop world-class organizations through learning and innovation.

However, differences remain across India. In Tier 1 cities- such as Mumbai, Hyderabad and New Delhi the corporate culture tends to be high on task and egalitarian dimensions with a gaining incubator culture where employees possess an individualistic and achievement-oriented orientation and speak English, similar to the West. Tier 2 and some cities such as Pune, Mysore and Vizag are more likely to speak the local languages informally and sometimes for business. In these localities, some local organizations have a family-type corporate culture where the manager is seen as a patriarch. In this environment, collectivist and inner directed mindsets are more prevalent. However, this pattern is changing as businesses are growing and facing staff shortages. As a result, they are welcoming persons with other mindsets and needs for independence, fast-track careers, good compensation and respect. Managers are being challenged to be more employee-centered: building trusting relationships, listening to employees and providing job challenges and training that advances staffs' professional and personal development.

Moving from a time when working for the government was prime to working for entrepreneurial businesses also forces changing employee expectations and subsequently, management styles. Still remaining is a huge gap between the quality of talent produced by the educational institutions and the type of skills required by global organizations which requires educational modernization.

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