



## The Indians Are Coming

How management thinkers from India are changing the face of American business.

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The rarified world of business thinking has been largely American terrain over the last hundred years. From Frederick Taylor with his stopwatch to the modern generation of gurus, Americans have monopolized business wisdom. Even the brief love affair with Japanese business practices in the early 1980s was intellectually colonized by U.S. thinkers such as W. Edwards Deming and Richard Pascale.

But change is in the air, blowing from a direction unforeseen a few years ago -- from the Indian subcontinent, where a new cohort of thinkers and ideas is emerging. Superstars include strategy guru C.K. Prahalad, itinerant executive coach Ram Charan, Nobel economist Amartya Sen, and Vijay Govindarajan of Dartmouth College's Tuck School of Business. London Business School's Sumantra Ghoshal, who died unexpectedly last year, would have placed high on anyone's list of key business figures.

While no one can predict the Indian thinkers' long-term impact on American business, there's no question that they are bringing a refreshing diversity to boardrooms and MBA programs. Just as the skills of Indian software programmers have rescued Silicon Valley firms desperate for workers, the fresh perspectives and unfamiliar backgrounds of Indian authors and executives may change the way that tomorrow's corporations run.

"The thinkers are often first-generation immigrants to the West. Almost all have had firsthand experience working in typically chaotic Indian businesses," says Gita Piramal, founder and managing editor of the Indian management magazine *The Smart Manager*. "Some, like Sumantra Ghoshal, worked in the public sector. C.K.'s first job was at Union Carbide's battery factory in Chennai, and he also worked in a company making pistons. Ram Charan was born and brought up as part of an extended family of thirteen that ran a shoe shop. All pulled themselves out of India, and many have a Harvard link."

Just below the established luminaries is a group of up-and-coming stars. The faculty rolls of the world's most prestigious B-schools contain an increasing number of academics with Indian roots. They include Rakesh Khurana, Nitin Nohria, and Krishna Palepu at Harvard Business School; Jagdish Bhagwati at Columbia; Deepak Jain and Mohanbir Sawhney at Northwestern's Kellogg School; and Raj Reddy at Carnegie Mellon.

Considering the rising Indian enrollment in the world's MBA programs, more will undoubtedly follow. And this is not just an American phenomenon: This year, for the first time, INSEAD's biggest national contingent is Indian, and the Swiss school IMD has seen the number of Indian MBA students more than double since 2001. At the Barcelona B-school ESADE, Indian enrollment has quadrupled in the last four years.

"God does not discriminate across countries on intelligence. So if you say that 20 percent of people are smart, that means two hundred million smart Indians, and that's a lot of human capital," notes Tuck's Vijay Govindarajan. "At the same time, there is no doubt that Indians have had a disproportionate influence on management thinking and practice. As a percentage of the U.S. population, they are miniscule -- less than a single percent -- but then look at their representation in business schools. When I got my job at Tuck twenty years ago, I was the first Indian faculty member. Now it's not unusual to see 20 percent of faculty with Indian roots and connections. This year alone, we welcomed forty Indians into our MBA program."

And it's not just the next generation of executives -- Indians already occupy corner offices at many of the world's top corporations. Consider Arun Sarin at Vodafone; PepsiCo president and CFO Indra Nooyi; and the influence of Indian entrepreneurs in Silicon Valley -- Vinod Khosla, founding CEO of Sun Microsystems and now a leading venture capitalist with Kleiner Perkins Caufield & Byers; Gururaj Deshpande, founder and chairman of Sycamore Networks; Kanwal Rekhi, entrepreneur and the main force behind TiE, a Silicon Valley network that promotes entrepreneurship among young people; and serial entrepreneur Romesh Wadhvani, founder and managing partner of the Symphony Technology Group. Other highly placed Indians include Rajat Gupta, McKinsey & Co. senior partner worldwide, and IMF economic counselor Raghuram Rajan.

And then there's the business media. A growing number of business journalists and commentators have Indian backgrounds, including several CNN reporters and writers for opinion-forming newspapers and journals, such as *Wall Street Journal* editorial features editor Tunku Varadarajan. Parminder Bahra, a rising business writer currently at *The Times* in London, helped design the methodology for the *Financial Times*' B-school rankings.

Even those who pay little attention to bylines on editorial pages or announcements of new faculty members have certainly noticed: Among the people who influence business thinking, there is an increasingly Indian presence.

Ambition and Other Virtues



## The Indians Are Coming (cont.)

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Vijay Govindarajan offers an explanation for Indian thinkers' rise to positions of influence: "Like other first-generation immigrants, we had a tremendous hunger to succeed. For us, there was no safety net," he says. "But there are other elements to this. Indians have a strong work ethic, speak English, and have been traditionally influenced by American education and educational institutions. Indians are good at conceptual thinking and analysis. Another very important quality is that we tend to be very patient -- a great virtue in teaching." Govindarajan trained as a chartered accountant in India, landed a Ford Foundation scholarship to Harvard Business School, and is now one of this country's highest-paid executive coaches and a prolific author on innovation and strategy.

Another perspective comes from London Business School's Nirmalya Kumar: "Business is well respected in India, as it was the only way to make a decent living besides being a doctor until India reformed in 1990," he says. "Thus the talent pool that went into business Ph.D.s in the United States from India was excellent. It became a preferred option to escape India after finishing at the country's top technology schools. Some of these Ph.D.s, of course, became the gurus of today."

Personal ambition is a powerful driver. But it doesn't explain why Indian thinkers have become so influential with Western business audiences. It is one thing to become a Harvard professor, quite another to have the ear of Fortune 100 CEOs. Ram Charan, for example, was a confidant to Jack Welch when he was running GE, and co-authored two best-sellers with former Honeywell CEO Larry Bossidy. Sumantra Ghoshal co-wrote *Managing Across Borders: The Transnational Solution*, which the Financial Times named one of the century's fifty most influential business books. The French magazine *L'Expansion* recently listed Rakesh Khurana among the world's leading business gurus. The list goes on.

### An Indian School of Management?

So what does this hill of ideas amount to? One obvious conclusion is that it signifies the development of a distinctively Indian school of management. But Indian thinkers tend to play this down; there is no definitive "Indian Way."

However, Indian thinkers' increasing influence coincides with a period of introspection into the nature and purpose of Western capitalism. Post-Enron, there is widespread disillusionment with the individualistic model, a sense that corporate America has bred executives whose personal greed and egos eclipsed their sense of public duty. Indian thinking taps into this debate, since India's collectivist culture offers a ready foil to America's rampant individualism. Among Indian thinkers, there is a keen sense of capitalism's ethical

and societal obligations -- note C.K. Prahalad's most recent book, *The Fortune at the Bottom of the Pyramid*, which advocates a new approach to business to take account of micro markets among the world's poor.

*The Future of Competition*, the best-seller Prahalad co-authored in 2004, also examines how the balance of power is changing between the rich and the poor. Prahalad addresses deep-rooted issues hitherto neglected by Western business thinkers; his ideas are both revelatory and challenging -- something that comes from an alternative perspective.

"Many Indians growing up in the United States detect an inconsistency or incoherence about modern life, which for Indian-born people like my parents is very, very difficult," says Rakesh Khurana. "Somehow you are supposed to be moral and generous in your private life, but that doesn't apply when you go to work -- you don't have to be the same person. That kind of role fragmentation or inconsistency was really seen as profane. One must find a way that synthesizes both who you are in private and who you are in public life and work. One has to find a role that creates integrity. In India they are also dealing with the issue of how you reconcile traditionalism, where there's a lot of meaning and symbolism imbued in everyday life and family and community, with making sure you get the benefits and individual spark of modern society."

Khurana points to the fusion seen in Indian Bhangra music -- a synthesis of modern dance and traditional music -- and the unsettling questions raised in literature by Indian novelists such as Arundhati Roy and Salman Rushdie. "People are trying to find a synthesis between the benefits of modernity without losing the meaning associated with traditional structures such as family. A growing number of people are uncomfortable with the winner-take-all markets as they currently exist and that the indicator of one's worth in the world is perfectly correlated to the size of their bank accounts. Another key question for them is how do we enjoy the advantages of modernity -- but without a 50 percent divorce rate?"

Raising such questions lies at the heart of much of Indian business thinking and practice. It's not that Indian thinkers are negative about the American business world -- indeed, they tend to be fulsome in their praise of the opportunities on display. But they offer a unique viewpoint -- in many ways, the best of both worlds.

### The New Knowledge Flow

India itself is also going through a critical transformation. It is an emergent nation. Increasing Indian economic prosperity has posed new questions for accepted Western best business practices. The



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abundance of fresh material from India is challenging and reshaping existing thinking, and business thinkers with Indian experience and sensibilities are readily placed to make sense of this.

It is clear that the flow of knowledge has changed. Indian businesspeople traditionally learned from American B-schools; now the flow is two-way. The assumption in the past was that India was a key model for only its emerging-market brethren; now, Western companies and executives recognize that they can also learn from India's example. Bangalore-based Infosys Technologies runs an internship program in which Americans go to work in India.

"India is an extremely interesting laboratory right now," The Smart Manager's Piralal says. "Customers do not know how to be customers and, hence, react in completely unexpected ways. The heavy use of short messaging services by mobile users is one illustration; putting automobile tires on typical Indian carts is a rural example. Managers in India have to be able to deal with the unexpected and be flexible to a far greater degree than in developed countries. This may be why so many Indian managers from Hindustan Lever [Unilever's subsidiary in India] have risen to senior levels in Unilever. For the Ram Charans of the world, this laboratory acts as a refresher. The Indian business thinkers who are making their mark in the West keep a pulse on India and what is happening here."

A number of leading Indian thinkers remain in close contact with their home country. The late Sumantra Ghoshal, for example, was the founding dean of the Indian School of Business in Hyderabad. C.K. Prahalad also remains acutely aware of his Indian roots. Prahalad has drawn attention to the world's four billion poorest consumers -- 260 million of them Indian-who earn less than \$1,500 a year but are aspiring to a better life and demanding more goods and services. "This situation," he writes, "represents a huge opportunity for companies to change their mind-sets and their business models (e.g., 'the poor can't afford or have no use for consumer products,' or 'we can't make money in this market')."

In 1995, for example, Hindustan Lever drastically altered the management of its value chain so it could sell a detergent, called Wheel, to the poor. HLL adjusted the cost structure of its detergent business so it could sell Wheel at a very low price point and still make money: The company decentralized its production, marketing, and distribution and quickly established sales channels through thousands of small storefronts. It subsequently achieved gross margins and a return on capital as good as, or better than, HLL's higher-end cleaning products. Unilever has used this business model to create a new detergent market in Brazil.

Such imaginative business practice is where the real

lessons from India appear to lie. Indian thinking challenges existing business practice and received wisdom. "Many American companies say they have globalized, but they are really international rather than global," Vijay Govindarajan says. "They are beginning to realize that the center of gravity cannot simply be the United States. They have traditionally developed products for the U.S. market and then tried to export them to other markets. That is increasingly obsolete. To conquer markets like India requires sophisticated thinking."

Govindarajan, who takes a group of fifty young U.S. executives on a visit to India every year, cites a meeting between a group of Americans and an Infosys executive. One of the Americans asked: "Aren't you afraid that IBM or Accenture, who you compete against, might acquire your company?" The Indian looked thoughtful and replied: "But perhaps Infosys could acquire IBM or Accenture."

"In the past," Govindarajan says, "people stood up at the very name of IBM, and you certainly wouldn't have mentioned an Indian company in the same sentence. Now anything is possible. The Infosys executive wasn't being arrogant -- after all, when he spoke, Infosys' market capitalization was some \$21 billion against Accenture's \$22 billion and IBM's \$85 billion. Given that Infosys has a P/E multiple much greater than IBM's, it is not impossible that this could happen. Infosys has IBM on its radar screen. Is the opposite true?"

### A Passage to India

Nowhere is the growing influence of Indian thinking and attitudes felt more keenly than Silicon Valley. With an estimated 400,000 Indian nationals working in the Valley -- and the lion's share of the 85,000 new H-1B visas issued by the United States in 2004 going to Indians -- America's high-tech sector now relies on Indian intellectual capital. Such is the Indian influence that Intel now offers its employees an optional training course in Indian cultural nuances. Participants in "Working With India," run by California-based Charis Intercultural Training, study Indian political history, the subtle dietary differences between Hinduism and Jainism, and the cinematic delights of Bollywood movies.

Other high-tech firms, including Adaptec, AMD, Intuit, and Rockwell Automation, also offer Indian cultural lessons to their employees. Unlike some diversity training, designed to forestall lawsuits, Indian cultural programs are specifically aimed at boosting performance. Some companies, like chipmaker AMD, have gone further, making the exchange two-way. As part of an immersion program intended to acclimate Indian workers to the casual U.S. high-tech workplace, AMD flew teams of Indian workers to Sunnyvale, Calif., and Austin, Texas, for a month of cultural training with American managers.



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Such initiatives suggest that Western eyes are being opened to India and its role in the global economy. The new generation of Indian thinkers offers a challenge to the conventional view of globalization, historically seen as the province of the Europe-North America-Asia (meaning mainly Japan) triad. India was usually overlooked as a hapless economic pygmy, filed under emerging -- slowly. Now, the Indian thinkers are helping executives see globalization in its totality.

"There's a much greater sensitivity and sense that the centers of the economic future may be more than simply the traditional Western European and North American nexus," Rakesh Khurana observes.

Adds Vijay Govindarajan: "The United States and Europe are congested and highly contested markets. In China and India, there is still virgin territory. As markets and sources of ideas and innovation, they need to be taken seriously." Thirty years ago, he took his first plane journey from Madras to Boston. Now, it is spring in New Hampshire. "India is on the radar screen," he says, "and my market value is going up."

The fact that the radar screen now extends beyond America's borders is itself an important development. Perhaps the Indian gurus' true appeal -- and value -- is that they do not automatically regard the United States as the center of the commercial universe. They offer a different lens through which to look at issues such as globalization and shareholder value -- and even the purpose of business itself. In doing so, they pose questions to which Americans are often blind.

As Sumantra Ghoshal observed when we spoke with him in 2003: "A very different management philosophy is arising and will become dominant -- the purpose, process, people philosophy. We are moving beyond strategy to purpose, beyond structure to process, and beyond systems to people. This will shift the basic doctrine of shareholder capitalism, and moderate it, so that if people are adding the most value, then people will increasingly have to be seen as investors, not as employees. Shareholders invest money and expect a return on their money and expect capital growth. People will be seen in the same way. So they will invest their human capital in the company, will expect a return on it, and expect growth of that capital."

Ghoshal's legacy lives on. He mentored and then wrote extensively with co-author Nitin Nohria of Harvard, and inspired his students toward a more holistic view of management and leadership and how it is linked to broader society. "Nitin and I have been co-authoring papers and cases on management as a profession," Khurana says. "A profession not simply in a technical sense but, rather, in a normative sense which considers

things like responsibility, mutual respect for the various constituents in a business enterprise, such as employees and customers, and accountability. These are ideas which were catalyzed through discussions with Sumantra. Indeed, my current research and forthcoming book project is on management as a profession as developed through a sociological analysis of elite U.S. business schools."

In the increasingly global world of business thinking, an American spring could be followed by an Indian summer.

### Sidebar - Original Sinha

After a day PowerPointing his way through his company's marketing strategies, Arun Sinha, chief marketing officer of Pitney Bowes, should be at home celebrating his wife's birthday. But he has excused himself for an hour. A former journalist, he wants the story to be clear and so sits in Stamford, Conn.'s La Fontanella Ristorante talking marketing and how being Indian has shaped his leadership and management styles. Naturally, the conversation also takes in cricket, discussed with the same infectious enthusiasm as he discusses everything.

"The thing you've got to understand is that the Indian education system emphasizes learning the basics," Sinha says. "It is the left brain rather than the right brain. You learn to be analytical. Western education brings specialization. If you add the hunger of a first-generation immigrant, that's a great recipe for success and is difficult to beat."

Sinha's career began with the launch of an Indian newspaper. Since then, he has helped revitalize Colgate's oral-care brands and launched the Mercury Sable. He spent ten years at Philip Morris USA and then founded and led Agorux, a supply-chain software company.

He joined Pitney Bowes in 2002 and instigated the first branding exercise in the company's history. His approach, he suggests, was quintessentially Indian. "Young managers come to me every day. They have a great idea and want to get on with it to grow the business and make millions. I ask, where are the analytics? Usually there are none." Rebranding Pitney Bowes, Sinha began by speaking with two thousand customers in eight countries and then to employees, salespeople, executives, and more customers. "It wasn't about the conventional wisdom of how to re-brand a



**The Indians Are Coming (cont.)**

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company but about analysis," he says. "And that's how marketing has changed. It used to be more downstream -- warm and fuzzy -- and now it is upstream analysis and relationships. Companies that succeed do these things well."

It is not only analysis that he traces back to his Indian roots. He cites differentiation and diversity as key elements to the Indian experience. "Every state is very different, with a different culture, language, food, and government. You grow up speaking two or three languages. There is a diversity of people and of ideas. In the United States, diversity is about people; Indians add in comfort with the diversity of ideas," Sinha says. "Then, the sheer number of people in India means you have to learn to differentiate yourself. Me-too doesn't work. You learn to survive; in India it really is the survival of the fittest. Then you come to America and enter the corporate jungle."

Does all of this add up to a unique Indian take on business? Arun Sinha pauses for breath. "We believe in being competitive but also compassionate," he says carefully. "Respect for people is central, and that's what I try and bring to my job and the people I work with."

--S.C. and D.D.