

Management of Enterprises Abroad

Now that India has entered the international market for projects through open bids, joint ventures and bilateral arrangements with governments, and the performance of many of these has been poorer than expected, there is a clear need to examine how their execution can be improved. In the protected conditions in India the lack of appropriate management systems is not always reflected in the results displayed by the enterprise. In foreign countries, however, the situation is different. Poor performance, inability to keep to schedules and poor reputation would badly affect possibilities of long-term involvement of Indian enterprises abroad.

This paper is based on discussions and observation of some enterprises in Malaysia, Middle East, East and West Africa, and briefly pinpoints some of the areas that need serious review in the management of Indian enterprises abroad. First I shall explain the distinguishing features of the environment in which Indian projects operate in foreign countries. Then I shall highlight three overall considerations necessary for both the unit level management in a foreign country and the home office management in India, whether it be the government or any other sector.

Sheltered markets and the protection given to business organisations in India is not an adequate training ground for the Indian organisation to function in a foreign country. In a competitive situation management has to give particular attention to the many aspects of efficiency, cost control, and to a monitoring system by which timely remedial action is taken to cut errors and improve results. The unit management would be able to attend to these aspects of management provided the home office consciously provides the systems that are discussed later in this paper. Since management practices are governed by the circumstances of the business and the nature of the work, it will be necessary to identify some of the important differences between

the home situation and the foreign. The three aspects discussed below are relevant to my discussion later:

- (a) The employees
- (b) The environment
- (c) The client system.

The Employees

Unfamiliar customs, strange languages and the discrimination that is generally made against a foreigner in some matters add to and reinforce anxiety for many, especially for those who have rarely travelled abroad. Individuals experience isolation, loneliness and rootlessness. Some of the studies show that single individuals are likely to experience these feelings in a foreign environment more than people with families. Large construction projects, which have a concentration of Indian workers, would necessarily need the kind of management that could create a cohesive community out of a large number of workers with diverse backgrounds and could forge this cohesiveness into all its policies. The management have to recognise the relevance of 'community' in their operations in the foreign environments. Management personnel who have a basic concern and sympathy for workers are generally able to convey these feelings and to minimise the sense of isolation and rootlessness. The financial compensation and monetary rewards may indeed seem compensatory, but not enough to be a substitute for security and belonging. The home office has to value this supervisory skill in selecting staff for a project.

I have seen in some large camps that contractors who establish closer relationship with their workers are able to enlist their cooperation for working extra hours and even on holidays to meet deadlines. Contractors who keep their distance are often faced with the difficulty of persuading reluctant and even resentful workers to work overtime to complete urgent assignments. Social relationships are important in any work situation but for the success of a project abroad they are crucial.

In projects having a small number of Indians the management have to be concerned with their integration with the local employees to minimise feelings of isolation and the strong tendency for groupism that a minority group usually exhibits. In one project six Indians working closely together are seen by the indigenous staff as the favoured group of the chief executive. This 'special' relationship is deeply resented by the indigenes.

The chief executive justifies his arrangement by stating that the local staff would be learning and gaining experience and maturity through their contact with the Indians. Resentment and hostility, however, prevent the learning process. The two groups keep moving in their separate orbits. The organisation has much difficulty in recruiting qualified local staff and retaining them. The project management have now decided to spread out the Indians to different projects and replace them with local persons so as to induce among indigenes more confidence in the management than they now show.

It is interesting to note that the European and Japanese managers also behave much the same way as the Indians or any other minority group. Most expatriate managers work in closed groups. The local staff accept their supervisory pattern more easily. The likely explanation is that India is not seen as a 'developed' country and Indians as being more like themselves. Their confidence has to be earned and Indian effectiveness still to be acknowledged. It is not taken for granted as is the effectiveness of the Europeans and the Japanese. Moving in an isolated group in no way helps to achieve that acceptance.

The Environment

The business environment is very different from the Indian because competition is open and large and well established, experienced organisations from other countries are greatly interested in gaining entry into the expanding markets. Many of these organisations such as those of the Koreans and the Pakistanis have a powerful backing from headquarter offices in the home country or from their government. Labour being in short supply, agents of competing organisations operate so as to entice workers and staff away from their other projects in spite of the legal complications involved in breaking terms of contract. These conditions are a natural phenomenon in the Middle East and in most of the African countries and a matter for serious consideration by home office in India both for project planning and policy making.

The Client System

Because India has yet to gain a reputation for quality in its supplies and services, clients abroad would apply more stringent standards to Indian projects than they would to others who are already established and enjoy a reputation. The standards, or inspection procedures, are bound to become

more realistic when clients begin to believe in the integrity and competence of Indian organisations. Aspects of acceptance have direct relation to the sort of persons likely to carry out project work impressively in foreign countries. Most tasks require persons of technical competence plus the special ability for establishing interpersonal relationships. They must not only do their job well, they must communicate to managers in the host country their understanding of special problems and their willingness to adjust their approaches to special requirements. Social awareness is as important as technical knowledge.

Appreciation of the circumstances operating in a foreign situation is an essential factor both for people in the home office and in the unit management. The measures for performance would have to be seen in far wider terms than at home, and they would have to include the following:

- Has the unit earned the expected level of profit or of goodwill if the returns are lower than planned?
- Has the unit earned the confidence of the host organisation for technical and managerial capabilities in the handling of large projects?
- Has the unit given the impression that India's approach to projects abroad is unlike that of people with 'colonial' attitudes?

Implications

The first implication of the operating situation abroad, therefore, is that deep awareness and appreciation of the conditions in the foreign country are essential prerequisites for choosing and managing a project. A casual familiarity, hearsay and the 'hail-fellow-well-met' disposition are often impediments to wise selection of projects abroad. For some of us who have some knowledge of this kind, the choice of certain ongoing projects and a few in the pipeline seem premature for India to undertake. The rationale of the choice is at best ambiguous. A careful and impartial review of the existing projects could furnish guidelines for choosing projects with greater discrimination. A most important point in this context, however, is how to improve the quality of appraisal and decision making.

To improve decision making in the choice of projects abroad two factors seem necessary:

- (a) Developing greater expertise in the analysis of environment and socio-cultural background of the foreign country by promoting technically reliable studies and surveys of selected countries, and
- (b) Developing realistic appreciation of strengths and weaknesses and the appropriateness of the technology for the client country.

Government relies heavily on public servants to appraise projects. The officers would have to develop expertise in appraisal and to visit foreign markets to make comparative studies. Alternatively, government should make better use of available experts in India and abroad. The cost of study and personal contact is much less than that of failure in operations.

The Unit Management

The second implication of the operating conditions abroad is that the unit management be capable of responding speedily and effectively to competing situations and to special problems in the host environment. The unit management, to achieve this capability, must have considerable autonomy in work and should have the conviction that the home office management and government both have full confidence in their capabilities. The success of Korean and Japanese operations abroad is in some part due to the support they enjoy from the home management. Pakistani missions have also enjoyed such trust and backing and been considerably successful in some of their projects.

There are two questions with which to deal in this matter:

- (a) How does the home office ensure that they can have sufficient confidence in the unit management to be able to avoid constant, unwarranted probings by inexperienced juniors in the control and supervision of operating units abroad.
- (b) What kind of positive support must the home office give to the unit management?

Confidence of the Home Office

One would be stating the obvious in saying that the home office must send abroad their best men, and those they can implicitly trust. Experience shows that in a large number of cases this obvious prerequisite is not too evident. Careful selection is important enough for work in India, but for operations abroad this is an essential requirement. A common experience is the delay in firm decisions and insufficient time in project planning. Often decisions on placement are taken hurriedly with less care than they deserve. In this context three different experiences in different countries may help to illustrate the kind of difficulties that arise when the placement decisions do not match the requirements of the task:

- In a certain collaboration the home management placed in charge a man known to be a highly successful manager. However, in a short time he colluded with the host organisation to show losses and the

inevitable finale was the displacement of the home management. He later entered into partnership with the host management and found that his lack of integrity was no qualification for establishing the new basis of working with the host organisation. After two years he was pushed out. The host organisation now collaborates with a European firm.

- A family member placed in charge of a collaboration project abroad spent more time in entertaining than in managing work. Indian technicians and staff quarrelled among themselves and some of them were not even on talking terms with each other. The host organisation got a very poor opinion of the Indian management. Misunderstandings between the Indians and the host organisation could not be resolved due to the ill-will among staff. The collaboration is in serious difficulties while the company has incurred heavy losses.
- One senior executive was strongly prejudiced against indigenous personnel. This prejudice prevented him from awareness of the sensitivities of the local people. He became incapable of dealing with them with any understanding and maturity. The local staff, sensing his feelings, resented his presence. In the interview with us this executive complained bitterly about inefficiency in the organisation and unwillingness on the part of indigenous staff to learn from expatriate personnel. He said he had come abroad to make money and the foreign posting would give him special status in his community in India. He had known nothing about the host country either before he arrived or months after he had been working.

These are not unique examples. They are widespread in the companies we have visited. There are also many examples that would show how well executives have settled down and how much respect they have earned for themselves and for Indians in general. There are many who have earned for Indians a reputation for hard work, intelligence and integrity.

Action Choices

Confidence in the unit management is essential. The home management ensures it by strengthening team work in the unit and giving them considerable autonomy. It may be necessary to first set up a carefully chosen team of three or so. The team leader must sit down with some experienced and knowledgeable persons and analyse the sort of expertise he would need for several senior positions and the complementary qualities that would be required in the members of his team. Top members of the team should spend at least a week together to examine what has to be done to be able to work

together effectively. The team building exercise is an important component in the installation of unit management abroad.

The present practice in several projects is somewhat different: the home office often follows the policy of what may be described as an espionage system. Some members are installed in the unit office who are obliged to somebody in the home office or the government. These individuals pass on information about the unit management in their private correspondence, with somewhat destructive results. Instead of team work there is conflict and disharmony. In some cases the lure of a foreign posting persuades influential people to get their relations appointed regardless of the suitability of their qualifications. When this happens the relationship is sometimes used for purposes of obtaining information about the work of the unit management. The informal feedback may not always be reliable but it may contribute to decision making in the home office. Insensitive selection makes the unit management's task very difficult. It is to these problems that the home office must look to and clarify their role and motives in the selection of staff for serving abroad.

Operating Procedures

A third problem that can become seriously obstructive in the operation of overseas projects is the inadequacy of the support services in the home organisation. The most common problems in this instance are (a) lack of effective coordination of work of the units abroad (b) ill suited procedures of work and audit for the operations abroad, and (c) ill conceived supervisory services.

- In the home office the foreign unit's work is often supervised by a junior officer in the chief executive's office or in each of the functional areas. The papers move invariably from fairly lower level staff to the senior management. In the examination of issues at this level, personal knowledge of the foreign environment and familiarity with operating practices abroad are missing. Local perspectives, familiar to the officer, cloud the reality. These practices are fairly common in public sector organisations. In the private sector, however, the chief executive takes decisions according to his own predilections, with little regard to the need for appropriate systems in the examination of issues.
- In many cases administrative procedures in large organisations in India have developed by custom and tradition. They are now seen to be often unsuited for the organisation in India and are even more so in the competitive foreign environment. There has been strong criticism

of such procedures in public reports. They are irrelevant for the time bound and cost conscious work in units abroad and defeat the purpose for which they were devised. Procedures for purchase, travel, administrative sanctions, personnel administration, etc., must all be related to the conditions prevailing in the host country and to the task, keeping a keen eye on competition. The significance of streamlining administrative practices and cost saving procedures in conditions of high inflation seem to have been insufficiently understood in the home office.

- The most significant shortcoming in the home office is the inadequacy of service support given to unit management. Especially in the public sector the home office management interpret their role as that of controlling and regulating while overlooking their own serious responsibility for providing the service function which is essential to the unit's effectiveness. No doubt home management has to issue instructions to the units. But these instructions have to be supported by unquestionably good judgement based on knowledge and discrimination. Instructions showing total lack of understanding of unit operations are far too common and have caused serious difficulties in implementation.

The home office supervisor has the twin responsibility of developing effective controls and providing prompt services. Among the more important service functions are the following:

- Overall policy frame to guide unit management operations.
- Gate keeping role to protect unit management from undeserved criticism by press or public or any agencies that could influence the unit's performance.
- Training, help and specialist support where needed.

In India supervisory functions are often inadequately performed by the higher levels. The controls are ineffective, the service responsibility generally neglected.

In foreign operations supervisory neglect has sometimes proved troublesome for some of the good unit managers and has had adverse effects on the work. In the early years of Air India's operations abroad there is much indication of open support and warm appreciation given to unit managers by Mr J.R.D. Tata and Mr B.R. Patel with very happy results. The importance of the home management's responsibility for service support cannot be stressed too much. Its neglect has shown unfortunate results in several projects.

In brief, three considerations are important for establishing profitable and viable enterprises abroad. First, the choice of a project must be based on field data of the prevailing conditions in the foreign country and a realistic appraisal of the managerial requirements and technology. Two, unit management must have considerable autonomy to deal with local problems and issues and must be given unstinting support by headquarter office in India: the supervisory staff should understand that operating requirements in India and other countries are different. Third, an effective system of management audit is necessary to evaluate performance and client and/or public acceptance in foreign operations.