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# Creating successful strategies for Swedish Multinational Corporations in India

- A cross-sectional and benchmark study of 9  
multinational corporations in India

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Master's Thesis in the Master's Programme Quality and Operations Management

MASTER'S THESIS

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A cross-sectional and benchmark study of 9 multinational corporations in India

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## Abstract

India as an emerging market with a rapid growing middle-class attracts both local and foreign investors striving to expand already established businesses. However, market challenges are rapidly changing alongside dynamic environments making the business climate cumbersome for the majority of Swedish Multinational Corporations (SMNCs). The business becomes especially cumbersome in combination with the prerequisites of adapting Western value propositions due to vast differences between western and Indian customer needs. The diversity of cultures in India shed light on an additional challenge for SMNCs to handle involving caste system, domestic diversity and a strict hierarchical mindset of leadership and organizational structures. It could further be argued that a profound local understanding and its potential implications serve of particular importance in order to achieve business success in India. As a consequence of the increasing competition, dynamic market challenges and cultural differences, it was decided to visit India to develop a deeper understanding about the issues for SMNCs to be described in this report.

The study was initially based on literature reviews within the fields of culture, leadership, leadership development, Indian challenges and strategy with the purpose to establish a pre-understanding of the research area. Qualitative data was then obtained through 52 semi-structured interviews in India when visiting 9 different companies situated in 5 cities dispersed over the Indian continent. All interviews was transcribed and subsequently summarized into specific company cases to further become compiled into the empirical part.

Empirical data indicated that decision makers within SMNCs tended to possess limited experience and knowledge of the Indian culture and present market challenges. Several investigated SMNCs further argued to be strictly controlled by corporate offices in Europe limiting the possibility to accordingly adapt to market demands. This did subsequently account for lost business opportunities to both local and foreign competitors. SMNCs were additionally expressed by interviewees to rely on inappropriate Western values of sustainability and cost reduction. Indian employees, especially high potentials (HiPos), rather encouraged a growth mindset through speed and risk taking in the daily work as being more appropriate in an Indian market context. It was also identified that long term planning frequently became neglected due to dynamic market conditions that consequently implied a limited alignment between leadership development and strategy creation.

It was finally deemed that SMNCs should consider a revision of currently held assumptions about how to act on the Indian market to become more agile and to reach their full potential. An opportunistic mindset was argued as needed to be inculcated within SMNCs to allow more local autonomy. This would ease the creation of suitable value propositions of an emerging market as India instead of relying on value propositions developed for mature markets.

**Key words:** Leadership, leadership development, strategy and challenges in emerging markets, Indian culture, corporate values, corporate governance, multinational corporations.

## **Acknowledgements**

This thesis has been dependent on the cooperation from several different participants and contributors. First we would like to send our special gratitude to our supervisor Tobias Fredberg, Professor at Chalmers University of Technology. Thank you for your valuable guidance and thoughtful reflections. We would also like to send a collective tribute to all who have supported us during the project during the spring of 2014. Even though that we cannot mention you all by name, partly because the list would be too long and due to confidentiality.

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# 1 INTRODUCTION

The business climate today is becoming increasingly complex through its dynamic characteristics, high-speed evolution (Caligiuri, 2006) and the increasing number of competitors on the global arena (Tarique et al., 2009; Craig & Douglas, 1996). The same evolution applies to emerging markets that has not received global attention without reasons. As defined by Standard and Poor's, emerging markets consists of poverty, certain capital market conditions and growth potential, which consequently attract foreign investors (Khanna et al., 2013; Krishnan et al., 2011).

The fierce competition is present in the majority of industries and globalization thus requires companies to manage both complexity and diversity through rapid learning and collaboration. Furthermore, profitability by growth could be argued to be a more important driver than relying on cost reduction, which subsequently emphasizes the need of applying an external mindset to develop a business further in an emerging market (Ulrich, 1998). Dynamic environments further stress the importance of flexibility through adaptation (Porter, 1996) requiring strategies adapted to local prerequisites (London, 2004). Emerging markets will probably not experience a declining competition since both the middle class and consumption is expected to excel and therefore contribute more to the total worldwide economic growth (Gudlavalleti et al., 2013; Wilson & Purushothaman, 2003).

The evolving complexity ultimately stems into a set of vital considerations for leaders to sort out in the daily business where one relate to leadership and the development of future potential leaders (Avolio et al., 2010; Ellehuus, 2011, Caligiuri, 2006). Beer et al. (2011) interviewed 36 CEOs and their unified view also revealed a concern of the importance of leadership development and especially the development of future successors. The importance of leadership development consequently shed light on recruitment, development and retention of employees to assure access of skilled employees to successfully manage the daily business (Tymon Jr et al., 2010).

## 1.1 PURPOSE AND RESEARCH QUESTIONS

The overarching intention of the project was to understand how Swedish Multinational Corporations (SMNCs) prepare for large-scale changes that foreseeably would take place within a 5-10 year future. To apprehend the level of preparedness, 52 interviews were conducted in order to gather information from interviewees' experiences within the fields of leadership, leadership development, challenges and strategies. More precisely, the following questions were addressed as particularly important in order to investigate the purpose:

- *How does the perception of leadership and leadership development differ between high potentials and executives and what are the potential implications?*
- *What are the SMNCs' major internal (organizational) and external (business) challenges in India?*
- *What are the most important aspects in strategy creation and deployment to succeed in India?*
- *How are SMNCs aligning their 5-10 year strategy with leadership development to meet major future internal and external challenges?*

In order to develop an understanding about the research questions, it was decided to visit four Indian cities to conduct interviews and to comprehend cultural characteristics. The study involved Mumbai, Pune, New Delhi and Bangalore, where eight SMNCs became investigated and GE as a non-SMNC since frequently renown as a forefront organization in existing literature related to the fields to investigate.

## 1.2 DELIMITATIONS

An additional amount of companies would probably enabled even more comprehensive results but it was concurrently perceived as sufficient with nine companies due to limitations in time. The number of interviews was further intentionally delimited to a maximum of eight persons per company in favor of including more companies in the study to develop a wider picture of industrial characteristics. Interviewees represented employees who either possessed executive (E) positions or by high potentials (HiPos) expected to become future top leaders within 5-10 years. Desires related to interviewees' backgrounds were only addressed through an initial correspondence through either email or phone and consequently interviewees were selected by organizational represents. More general views from employees at lower levels could potentially have discovered additional findings but it was found to be outside the scope of this study.

Once formulating the interview guide to pursue during interviews, the share of questions were dedicated to the fields of leadership, leadership development, challenges and strategies. Additional areas were intentionally neglected due to limitations in time. Unexpected areas of importance were however detected during interviews. Once occurring, a joint agreement between the researchers enabled for instance cultural and governance questions to be included to develop a deeper understanding of SMNCs preparedness for future challenges.

## 2 THEORETICAL FRAMEWORK

In this chapter the theoretical framework will be presented to guide the reader within the research areas. The main areas covered are leadership, leadership development, strategy, Indian culture and local market challenges in India.

### 2.1 LEADERSHIP

When searching for the term 'leadership' at Google Scholar today one quickly becomes overwhelmed with nearly 3 million results (2014-01-22). Back in history, an absence of clear distinctions existed between leadership perceptions and how a leader's team performed but studies were conducted to ultimately prosper in clarity (Lord et al., 1986). One way to express the distinction is by dividing leadership twofold into leadership emergence and leadership effectiveness. Hogan et al. (1994) states that "*research on leadership emergence identifies the factors associated with someone being perceived as leaderlike*" (p. 496). Leadership emergence therefore implies to what extent a person is regarded as a leader by other persons with limited experience about a person's performance (Judge et al., 2002). As opposed to leadership emergence, "*leadership effectiveness refers to a leader's performance in influencing and guiding the activities of his or her unit toward achievement of its goals*" (Judge et al., 2002, p. 767).

Kaiser et al. (2008) aligns with Lord et al. (1986) in the sense that leadership concerns how to influence a group of people to avoid only individual thinking to rather make people contribute jointly towards a goal that is important for the organization. The aspect of aligning people towards a certain direction is generally perceived as one of the most vital considerations to manage as a leader (Kouzes & Posner, 2008; Kotter, 1999). The leader is consequently expected to set long-term vision, the strategy and who finally is obliged to communicate the directions to get alignment (Kotter, 1999). House et al. (2002, p. 7) defines leadership as:

*"The ability of an individual to influence, motivate and enable others to contribute toward the effectiveness and success of the organizations of which they are members".*

The previously mentioned increasing complexity on the global arena creates an even tougher business climate for CEOs requiring abilities to handle diversity in both cultures and religions (Beer et al., 2011). Hence to lead people, different leadership styles and situations can be expected to have different implications on the employees (Kaiser et al., 2008). Irrespective of leadership style, research argues that the social relationship between the leader and his members is vital to lead people (Gerstner & Day, 1997). The same author further argues that the performance is a result of trust in the leader and not surprisingly, *“leaders who are unjust, disrespectful and noninclusive demoralize followers”*, while *“leaders who are fair, respectful and inclusive favorably impact attitudes, motivation and involvement”* (Kaiser et al., 2008, p. 104). Attitudes, motivation and involvement additionally connect to financial and productivity performance at a business unit level (Harter et al., 2002). Internal communication during a change in direction is not only about communicative skills. The most important part is to change behavior and create role models in how to behave according to the new strategy (Dumore, 2005).

### 2.1.2 LEADERSHIP IN INDIA

India has during the evolution faced several strong and influential leaders as Ghandi, sportsmen, political stakeholders and multiple influential business leaders such as the leader of Tata. The most commonly discussed area of leadership is within politics due to attention from cynicism and distrust stemming from scams and bribes. The extensive attention to leaders are creating footprints in the society as streets named after leaders, statues are created and there is a general tendency of depicting pictures of fruitful leaders in a diversity of locations in the society (Chhokar, 2002).

One way to assess cultural differences is through Hofstede's Value Survey Module (VSM) including four aspects to evaluate: Power distance, uncertainty avoidance, individualism and masculinity (Hofstede, 1980). The latest study performed according to VSM revealed that Indian managers are generally scoring low on all four cultural aspects (Singh, 1990). One of the findings by Singh (1990) was that Indian leaders have a tendency to underplay the use of power, they valued collectiveness and loyalty and they were also open to face ambiguity. Underplaying power is often associated with a low power distance indicating a relationship between the boss and his subordinates as egalitarian with a boss possessing a consultative role (Singh, 1990). The low uncertainty avoidance depicts Indians as flexible towards natural uncertainty and time is also perceived as relatively unimportant. The low score on individualism derives from Indians view of individuals as belonging to a group in combination with valuing family time. Finally, the low score on masculinity founds on the belief of caring others (Singh, 1990). When discussing leadership in India it is important to note that nationwide values might differ from the ones possessed by leaders inside organizations (Singh, 1990).

### 2.1.3 ORGANIZATIONAL SUCCESS - MORE THAN SUPERIOR LEADERSHIP

The several concepts and perceptions related to leadership makes it complex to argue in favor of a certain characteristic or leadership style. Authors rather perceive that successful leadership stems from possessing the ability to adapt leadership styles to specific conditions, referred as situational leadership (Hersey & Blanchard 1969). A general mindset tends to assume that leadership is of importance but multiple researchers challenge the assumption. Counterarguments deem the influence from leaders less important compared to historical evolvement and external factors (Lieberson & O'Connor, 1972; Pfeffer, 1977), while others consider leadership as an oversimplification of organizational success (Meindl & Ehrlich, 1987). An applicable quotation is related to the success of Steve Jobs: *“No one accused him of having high emotional intelligence, strong leader-member exchange relationships, or a considerate approach. Jobs simply did not fit the psychological profile of a good leader”* (Kaiser et al., 2012, p. 120). Albeit Jobs leadership style contrasted extensively from

the general picture of how leadership should be performed, he experienced an impressive growth in the stock price when escalating from \$10 in 1997 to \$376 in 2011 when retiring (Kaiser et al., 2012).

Bloom & Van Reenen (2006) however proved leadership as a positive contributor to organizational success when investigating 700 Western manufacturing companies to reveal that insufficiently managed companies achieved weaker results compared to more well managed companies. Finkelstein & Hambrick (1996) also states that leaders have an impact on organizations through influencing strategies, goal setting and policies. It can consequently be argued that leadership affects organizational effectiveness but not alone, as expressed by Kaiser et al. (2008, p. 104): “*leaders do not achieve results themselves*”. Leaders rather influence organizational results through other people (Hollander, 1992; Lord & Brown, 2003). As argued in Marion & Uhl-Bein (2001), external factors occasionally affect the outcomes, which might surpass initial intentions but leaders can however influence team effectiveness by providing the right supportive conditions (Hackman, 2002).

## 2.2 LEADERSHIP DEVELOPMENT

The focus on leadership development has increased in the field of research during the past decades resulting in a variety of theories (Day, 2001; Avolio & Gardner, 2005; Dinh et al., 2014). Leadership development is an unelectable activity due to leaders’ possibility to influence a company’s future through decisions and peers (Dinh et al., 2014). Successful companies master the skills in attracting, developing and retaining individuals to stay responsive to dynamic customer demands (Ulrich, 1998). Zack (1999) argues that companies are likely to increasingly perceive knowledge as the most valuable strategic asset since being hard for rivals to copy. The demand and supply of resources are further not equal, creating a need to constantly ensure access of knowledge (Whittington, 2001). Worth to mention is the distinction between training and development. Training is often a relatively short-term initiative to solve present needs as improving competencies on individual level (Caligiuri, 2006). Development initiatives are instead deemed as a wider concept striving to improve the general enterprise level of competence to meet future strategic challenges. A majority of leadership development programs today strive to equip employees with international experience in order to enrich individuals with additional cultural knowledge, flexibility and creativity (Fulmer & Goldsmith, 2000; Day, 2001, Caligiuri, 2006). Finally, a vital part of leadership development effectiveness relies on the importance of connecting activities to overall company specific strategic plans since otherwise increasing the risk of creating infeasible business goals (Fulmer & Goldsmith, 2000; Ellehuus, 2011).

### 2.2.1 RECRUITMENT

Prior to investing in leaders it is required to detect employees possessing attractive traits (Caligiuri, 2006). Caligiuri (2006, p. 220) depicts traits as “*knowledge, skills, abilities and personal characteristics*”. Spreitzer et al. (1997) additionally stress the ability to learn and remember from experiences as a quality to potentially become a successful global leader. Attractive persons should be supported with the right development actions and the outcome should desirably be prepared leaders who successfully can manage global leadership objectives. Another important factor is that HiPos early receive challenging tasks encouraging risk taking, leadership roles and the ability to reflect and learn from experiences. Therefore, identifying high potentials early becomes vital to challenge and develop new leaders. Senior managers should identify required skills and consequently support the development and monitor the plan. (Kotter, 1999)

### 2.2.2 STRATEGIC LEADERSHIP DEVELOPMENT

Distinguishing from the lion’s share of today’s companies, best practice companies support and maintain potent leaders with education and other activities (Kotter, 1999). Besides equipping leaders

with knowledge, forefront companies also aim to develop abilities through action-based activities. Grooves (2007) further argue in favor of a reduced focus on traditional theoretical programs. The intention should be beyond solely literature and instructors to rather put the individual into demanding real case problems. This in order to evaluate a person's ability of problem solving to realize if suiting an executive position. Furthermore, executive leaders are often grown inside organizations to ensure collective cultural values before succeeding into more exposed positions (Fulmer & Goldsmith, 2000). Internally grown leaders are also more likely to be perceived as trustful leaders as a result of their time inside the organization (Harrison et al., 2006). Concurrently, developing leaders internally who possess collective values might require more of a challenge if needing to change the organization (Harrison et al., 2006). In terms of desired outcomes of a development effort, companies differ, ranging from financial goals to external assessment to address the level of success. A collective pattern albeit distinguish companies considered as role models in the perception of development activities as costly since simultaneously perceive it as an investment for the future (Fulmer & Goldsmith, 2000).

As a result of the increased competition on the global arena, today's companies are required to have an efficient succession planning to stay competitive (Beechler & Woodward, 2009). Harrison et al. (2006, p. 22) define succession planning as “*a systematic process of developing individuals to fill an organization's key roles*” aligned with strategic directions. Harrison et al. (2006) states that companies in general apply succession planning to varying degrees, ranging from possessing structured processes in place for several decades to rely on an ad hoc approach when required. A well-structured succession planning process should involve a variety of experiences combined with continuous communication with influential peers to avoid that knowledge turn obsolete (Beer et al., 2011). Consequently, succession planning refers to the more long-term development and preparation of individuals who are supposed to succeed key positions. Succession planning is finally considered additionally beneficial if initiated early as a proactive action to prevent future expendables on needless recruitment or retirements (Schrader, 2006).

### 2.2.3 RETENTION

Studies has depicted that retaining employees is more economical than replacing due to costs referred to termination, replacement, lost revenues and productivity decreases intermittently (Rothwell, 2005). Indian companies are currently facing a fierce competition for employees due to the increasing competition globally and also the migration to Western companies due to a shrinking supply of skilled people (Wilson, 2003; Chamber et al., 1998). Holbeche (2010) emphasizes branding as vital since a strong position is important when both attracting and retaining employees (Brewster et al., 2005). Warhurst (2005) states that the philosophy of doing no harm is no longer enough. Instead, a proactively approach should be pursued to identify new opportunities, enhance value and create new markets by initiating partnerships between government, business and the society. When it comes to employer branding and creating motivation, CSR has been seen as an important factor not only to attract but also retain and motivate key employees (World Economic Forum, 2002).

### 2.3 STRATEGY

Due to competitive markets and high speed developing business environments it becomes vital for companies to distinguish in terms of strategy and to possess uniqueness to create a competitive edge (Porter, 1996; Simon, 1993). The area of strategy is an extensive field with a vast number of definitions. Simon (1993, p. 131) for instance cites Ansoff (1965) “*Strategy is decision making that deals with the big questions*” and Porter (1996, 2005) argues that strategy is something that makes you unique which then enables advantages. Possessing a competitive advantage rarely last for an unlimited

period of time, rather years than decades which consequently forces companies to continuously revise their strategy. Revision allows new ideas to be created and transformed into new competitive advantages as the market evolves with dynamic customer demands and changing preconditions. Companies aiming to achieve improvements in multiple areas simultaneously often face the result of low average performance without excelling capabilities. It therefore becomes necessary to prioritize through trade-offs and differentiation (Porter, 1996). Strategy has historically been regarded mainly as an external consideration as for instance the value proposition and the market to target (Ansoff, 1965). It is also vital to acknowledge internal capabilities and constraints to subsequently assure alignment between the internal and external side to create a competitive edge (Simon, 1993).

### 2.3.1 STRATEGY IN EMERGING MARKETS

Emerging markets has not received global attention without reasons. As defined by Standard and Poor's, emerging market consists of poverty, certain capital market conditions and growth potential (Khanna et al., 2013; Krishnan et al., 2011). These factors and opportunities have turned emerging markets into particular interest for multiple stakeholders (Khanna et al., 2013). Consumers for instance appreciate lower prices on products and IT companies outsource technical support. Executives of MNCs does instead primarily find the growth potential attractive as concurrent businesses stagnates in developed economies (Khanna et al., 2013).

Rapidly growing markets therefore require additional focus on being innovative to manage fluctuating customer demands and competition due to profit possibilities (Simon, 1993). Krishnan et al. (2011) states that little research can be found within the area of innovation strategies for emerging markets, although the need seems to be generally acknowledged. However, no arguments exists against the importance of innovation. The question is rather what innovation strategy to pursue, stating what and how to innovate. Innovation is further stated to be a "*cornerstone of a competitive strategy*" (Krishnan et al., 2011, p. 22).

Gudlavalleti et al. (2013) emphasizes the need of designing, developing and manufacturing to stay competitive and deliver products fulfilling price sensitive customer demands. The authors further argue that no company has managed to handle specific developmental needs of emerging markets properly. It does therefore exist a need of agility and adaption to specific needs and the competition is not assumed to decrease when consumption excels to later contribute more to the total worldwide economic growth (Gudlavalleti et al., 2013; Wilson & Purushothaman, 2003). Emerging markets require strategies adapted to local contexts and prerequisites as indicated by London (2004).

As mentioned, research address a limited amount of innovative strategies but Gudlavalleti et al. (2013) emphasize two vital concerns for companies present in emerging markets. One concern relates to the need of continuously obtain updated information about customers. Updated information is stated as absent among the majority of companies due to difficulties to gather proper information. Difficulties are argued to stem partly from poor infrastructure and rapidly changing customer segments, which makes it both costly and time consuming. The urgency to gather information stress the need to challenge common beliefs of traditional R&D to rather emphasize cross-functional workshops to gain an insight of customer needs. The second proposal suggests that frugal engineering is not enough and that it calls for failure if pursued. Companies rather need to realize the extensive need of redesigning products to make them differentiated in order to suit specific customer needs in emerging markets. (Gudlavalleti et al., 2013)

## 2.4 BUSINESS CHALLENGES IN INDIA

India is perceived as a country with plenty of opportunities according to foreign investors and business people (Pio, 2007; Khanna et al., 2013) The opportunities attract foreign investors realizing the potential of a growing economy although that India concurrently poses multiple obstacles. In broader terms, foreign investors often face issues related to cultural differences as hierarchies, religious attitudes and ownership structures within companies. Albeit conducting extensive political deregulations since the independence in 1948 (Sharma, 2000; Ghosh, 2013), India is yet ranked as 134 of 184 in terms of the ease of doing business. The complexity in doing business partly refers to the issue of closing a deal which in average requires seven years. Foreign investors face further difficulties related to taxes (ranked 158 of 184). Another contribution to the complexity of doing business in India relates to corruption. Transparency International (2006) ranks India as the 70th of 160 investigated countries in terms of corruption. Bribes are also present in the bureaucratic sector but not as extensive as in the business sector.

### 2.4.1 THE MARKET IN INDIA - UNDERSTANDING LOCAL NEEDS

The characteristics of a growing market depicts high environmental turbulence creating a vast level of uncertainty with a customer base often located at the bottom or middle in the income pyramid. The consumers of the world could be divided into a four level pyramid where the first tier reflect 100 million people in the upper or middle class of the western world and the most affluent in developing countries. Tier two and three represents the poor people of the Western world and the ones that are climbing the prosperity ladder in developing countries. Both tier two and three simultaneously constitute a target segment for MNCs seeking ventures in emerging markets. The fourth tier in the bottom of the pyramid include four billion people earning less than \$1500 annually including one billion with yields below \$1 per day. Although that India has a vast number of upward mobile citizens it although exist a limited number of talents. The educational system delivers superior results in some aspects but yet inconsistently meet the demands of foreign MNCs. This since the educational system in India to a large extent is structured to enable students to pass exams and to receive instructions from superiors. (Pralhad, 2009)

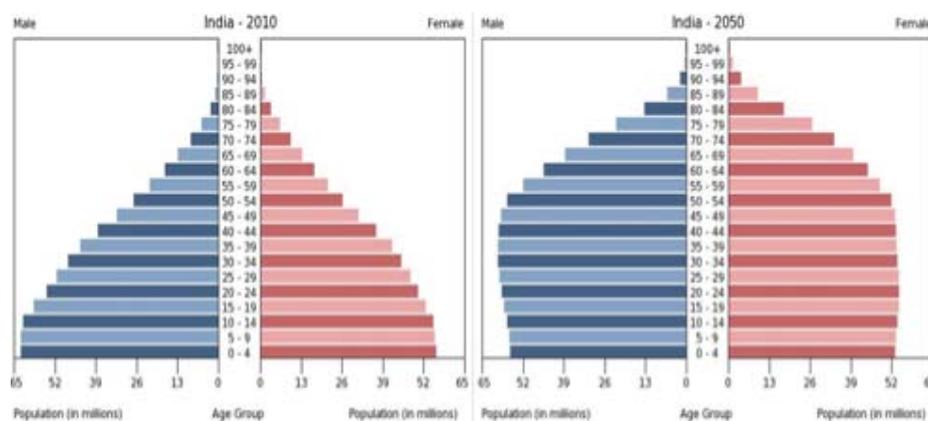


Figure 1. Indian pyramid of age and its expected state in 2050

Source: U.S. Bureau of the Census, International Programs, International Data Base, World Population Data

The unequally distributed population pyramid in figure 1 above create issues related to products developed for mature markets since only satisfying the wealthiest fragment. This consequently forces companies to radically change value propositions to meet markets demands of the less affluent people

in the lower tiers (Krishnan & Jha, 2011). To meet the price sensitivity of the market, MNCs has to cut costs with 90% which implies totally reinvented processes (Prahalad, 2009). As pricing and value proposition are required to be adapted to local needs, there is also need for training in awareness to make the customers fully understand and accept the products (Anderson & Markides 2007). A simultaneous managerial challenge can be to switch mindset from possessing a cost reduction strategy in favor of a growth and revenue strategy based on volumes. Margins in India are lower compared to western countries to benefit volumes which disfavor a margin focus. (Prahalad, 2009)

Another challenge in India except market expectations is the availability of infrastructure. Western countries perceive it natural to access a diversity of both soft and hard infrastructure systems but the situation can be the opposite in emerging markets (Shira & Devonshire-Ellis, 2012). Examples on soft infrastructure issues are access of market information, reliability of accreditation systems and inefficient legal systems. Andersson and Markides (2007) exemplifies an infrastructure problem of reaching customers in developing countries due to the fact that low-income customers live in 600 000 remote villages in rural areas. This forces companies to adapt new and innovative ways to distribute their products.

## 2.5 INDIAN CULTURE

In order to apprehend Indian specific characteristics chapter 2.5.1 - 2.5.5 are used to describe the economy, politics and the Indian Caste system.

### 2.5.1 ECONOMY

India distinguishes from other countries with 1.2 billion citizens in 28 regions and 7 unions, turning India to the world's second largest country in terms of citizens and to the world's largest democracy. An additional uniqueness is the diversity of cultures, religions but also races and languages (Shira, 2012; Kobayashi-Hillary, 2006; Kumar, 2004; Khanna, 2013). India currently host 300 million citizens between 0-15 years that outlay the future possibility to form a competitive workforce globally (Shira, 2012). A contributing factor to India's recent development can be related to political initiatives in the 1990s when a free market became allowed in combination with liberalized reforms. This enabled new products and technologies to reach the market to subsequently affect India's consumption behavior (Chhokar, 2002, Pio, 2007). Yet, approximately 40% of India's population lives in poverty nearby wealthy communities, which sheds light on extensive disparities. India is albeit considered as relatively successful in terms of economical performance if comparing countries worldwide (Shira, 2012). India is furthermore expected to become the world's third largest economy by 2035 counted in GDP and further continue to grow economically in a phase that outperforms the other BRIC countries (Jain, 2006).

The Indian economy can be divided into three areas; agriculture, industry and services (Ghosh, 2013). The three areas commonly constitutes the foundation in the evolvement from agriculture to industry and subsequently industrialization. But with regard to India's economical evolution, areas has developed in an unequal rate with the service sector as the primarily Net Domestic Product (NDP) driver (Mazumdar, 2010). Below in figure 2, the structural evolvement and growth in NDP is presented.

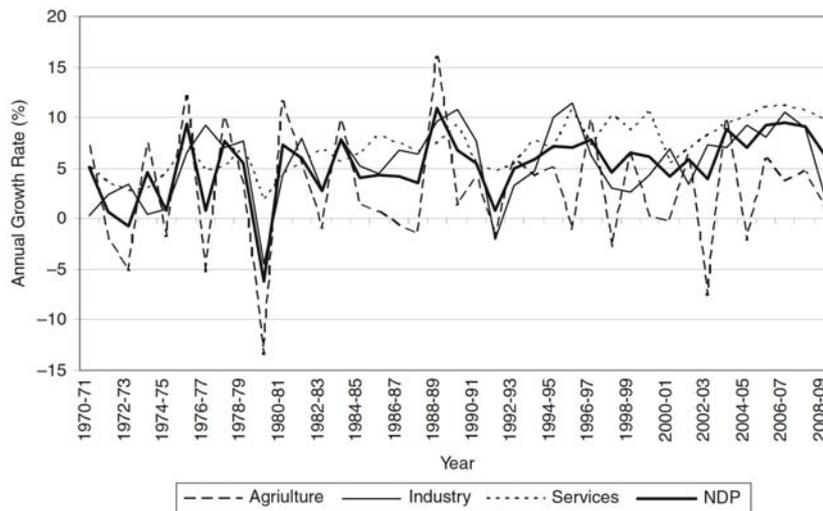


Figure 2. Structural evolution and growth in NDP (Source: Gosh, 2013)

Agriculture, counted in NDP, decreased from 46% in 1970-1971 to approximately 16% in 2008-2009. Industry did instead increase from 22% to 28% during the same period. The major NDP driver did however stem from the service sector that increased from 32% to 56%. A contributing factor to the economic growth is the increasing middle-class who demands Western products and services. The other major contributing factor is the strong emphasis on improving infrastructure systems that induces expansion of current roads, airports and entire new cities. Regional differences has until recently been relatively low prioritized behind economic growth. Due to major political and economical initiatives in the late 1940s, Indian citizens have experienced amplified differences in income. Additional reforms during 1990s aimed to reduce the gaps through increased foreign affairs and economic growth but it yet made the situation even worse. (Ghosh, 2013)

Companies commonly receive several advantages by outsourcing parts or entire functions, which has turned India to become increasingly popular in terms of outsourcing. In 2003, India counted for 75% of all business process outsourcing (BPO) value which shed light on the amount of business activities (Mehta et al., 2006; Penter et al., 2009). Recent studies additionally add that 25% of the fortune 500 companies possess R&D facilities in India (Shira & Devonshire-Ellis, 2012). A beneficial effects of outsourcing is reported as the saving in time due to the possibility to focus more on the core business. Cost savings constitute another effect through lower salaries (Mehta et al, 2006; Kobayashi-Hillary, 2006).

### 2.5.2 POLITICS

India's political system might illustrate a democratic and fair system where persons irrespective of gender can be elected. Experts in the political field tell a different story including benefits and advantages of being a member of certain families. Although the existence of approximately 1000 different political parties, the Indian political system often becomes referred as a nepotistic system that discriminates candidates from certain political families. The fact that the Nehru-Gandhi dynasty has controlled the Congress Party since the independence 1947 in combination with the tendency of leaders selecting relatives depicts a corrupt system. Political experts comments that this system is relatively accepted in India. This due to respect to certain families combined with the preference of voting on a recognized party among the roughly thousand. (Shira & Devonshire-Ellis, 2012)

Several political initiatives have been performed during the last century which has facilitated India's growth and foreign affairs (Sharma, 2000; Ghosh, 2013; Pio, 2007). In 1948, an industrial policy

resolution was initiated which emphasized capital flow and foreign investments. However, the current government at that time still restricted foreign companies from having a major impact on Indian business through large-scale investments (Sharma, 2000). Other constraints stemmed from complex laws and extensive governmental control. But during the first half of the 1980s, additional deregulations allowed foreign companies to invest in additional industrial segments and hence implied more attractive opportunities for MNCs (Sharma, 2000).

The most extensive political initiatives was conducted during the early 1990s that improved India’s competitiveness on the global arena (Chhokar, 2002). In 1991, the former Financial Minister made drastic changes related to economic reforms since being outperformed by other East Asian countries in terms of growth rate and level of poverty. Since that, the restructured reforms have influenced the economy to grow in an incredible pace (Ghosh, 2013). Shift in policies also supported export factors and the private sector (Ahluwalia, 2002). Trade barriers were furthermore reduced with a focus on a more open economy, tax rates were changed and the government’s power was reduced (Ahluwalia, 2002; Shira, 2012). Additional aspects that increased India's attractiveness was the amount of raw material available but also the English speaking people. Foreign companies are nowadays also allowed to possess a 100% ownership in several industry segments and a majority ownership in nearly all except where India lacked knowledge to hence gain maximally from foreign companies (Ahluwalia, 2002).

Continuing with India’s political agenda, Ghosh (2013) address economic growth, employment and poverty but also increased regional focus as the three main areas prioritized by the Indian government. The latter two areas have received a substantial amount of attention during the past decade in numerous research, policies and programs (Ghosh, 2013). Partly opposed from the views from Ghosh (2013), Unicef has summarized the current governmental goals in table 1 below that to a large extent prioritizes poverty, education and diseases.

<p><b>Governmental goals:</b>          Goal 1: Eradicate extreme poverty and hunger          Goal 2: Achieve universal primary education          Goal 3: Promote gender equality and empower women          Goal 4: Reduce child mortality          Goal 5: Improve maternal health          Goal 6: Combat HIV/AIDS, malaria and other diseases          Goal 7: Ensure environmental sustainability          Goal 8: Develop a global partnership for development</p>
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Table 1. Indian governmental goals  
 Source: [http://www.unicef.org/India/overview\\_3696.htm](http://www.unicef.org/India/overview_3696.htm) (retrieved 140612)

**2.5.3 THE CASTE SYSTEM IN INDIA**

The Hindu society is divided into four main castes in hierarchical order, Brahmin (priest, teacher), Kshatriya (landlord), Vaishya (businessman) and Sudras (laborer) called Varnas. There is also a fifth caste called Pariah or the outcastes equivalent to the oppressed or tribal people excluded from Varnas as illustrated in figure 3 below.



Figure 3. The different Castes in India

It further exist multiple sub-categories to each Varna named Jatis that can include several thousands (Béteille, 1965; Vaid, 2012; Kobayashi-Hillary, 2006). Chhokar (2002) states that the caste system historically created sustainable systems where each caste utilized different resources to balance the supply and demand of resources within each village. Pio (2007) additionally addresses that birth automatically generated a caste classification. The outlook nowadays displays a more positive future with more opportunities even for the lowest castes where nuances are expected to diminish even further (Vaid, 2012). The fast growth and development within industry and particularly outsourcing and IT has enabled Indians from lower castes to earn money. It has also enabled educated people to gain salaries comparable to the businessman caste (Kobayashi-Hillary, 2006). Vaid (2012) analyzed information from 27000 respondents in India and one of the findings yet argues that citizens from low castes still face issues in moving upwards. Results also revealed that people from a higher caste commonly held a majority of the non-manual work positions whereas more manual tasks are likely to be possessed by citizens at a lower caste level. Interestingly though is the fact that these tendencies are about to diminish due to an increased downward mobility (Vaid, 2012).

#### 2.5.4 THE CASTES' INFLUENCE ON BUSINESS

Since the liberalization in the 1990s there has been a trend to promote and educate high potentials rather than employees connected to a certain caste. The vast amount of educated people and the fierce competition for each position has influenced HR systems to become more Western like to promote professionalism and less bureaucracy (Pio, 2007). However, the Indian culture including attributes such as submissiveness, rigid structures and a strong clan connection with a group thinking. When these attributes are translated into business context-the inequality and hierarchy can create inefficiency and inflexibility not far from colonial management (Pio, 2007). The power of caste and nepotism has previously to a major extent influenced all organizational levels but influences are nowadays increasingly challenged and diminishing. Interesting is also that forefront Indian companies starts approaching a less hierarchical structure instead of relying on nepotism and castes (Pio, 2007). An additional aspect emphasizing the tendency of a diminishing distinction between upper and lower castes is related to different generations and their views of personal careers. Previously in history, people have been more likely to stick to a single work for an entire lifetime but the situation today indicates on an evolvement towards the opposite where people aim to climb the career ladder (Cooke et al., 2014).

## 3 Methodology

The methodology chapter will describe the proceedings during the study from the initial steps of data collection to the final step of analysis. The chapter will also address definitions used continuously in the report, a brief presentation of the investigated companies and finally a section about reliability and validity.

### 3.1. DEFINITIONS AND DESCRIPTIONS

Executives (E) were used as a term during the project to depict a person who currently possessed a leading position within investigated SMNCs present in India. Executives were frequently employed as for instance CEOs, Vice Presidents, Country Managers or Directors.

High potentials (HiPos) were additionally used to describe the other main part of interviewees as persons internally assessed to probably succeed into an executive position within the upcoming five to ten years' time. Interviewees frequently ranged between 30-55 years with vast levels of experience to currently possess positions ranging from functional heads to regional managers.

Swedish Multinational Corporations (SMNCs) in India did finally define corporations with Swedish origins and with current presence in India.

### 3.2 DATA COLLECTION

The research design was based on an inductive approach where research questions guided the progress to later be revised as the research evolved. To enable a comparison and make conclusions based on the inductive approach, a cross-sectional study was chosen where eight SMNCs and General Electric (GE) was visited. To avoid harm, names of both the investigated corporations and interviewees are kept anonymous and anonymized.

A cross-sectional approach was used to compare the different companies treated as separate cases with the aim to discover differences and similarities at a single point in time. It therefore excluded possibilities of analyzing trends since not applying a longitudinal approach stretching over longer period of time (Bryman & Bell, 2011).

Bryman and Bell (2011) refers to four different types of areas that could upset people: harm to participants, lack of informed consent, invasion of privacy and deception. Harm is described as e.g. physical stress or future employment and therefore all interviewees will be kept anonymous in all records of this study. This will also help to maintain the privacy for everyone involved. To further reduce the risk of upsetting people involved in the study, both the intention and purpose was communicated in advance.

#### 3.2.1 OPEN INTERVIEWS: GUIDANCE WITHIN THE RESEARCH AREA

7 open interviews were conducted with the aim to generate a pre-understanding within the research areas and to further develop the initial research questions and interview guides (Bryman & Bell, 2011). Experienced professionals within the fields of consultancy, social and cultural analysis and Indian culture were interviewed to obtain the vital pre-understanding before departure towards India.

#### 3.2.2 SEMI-STRUCTURED INTERVIEWS

The qualitative data collection was based on 52 semi-structured interviews to generate data to analyze guided by a pre-written set of questions (Bryman & Bell, 2011). The approach allowed the interviewer to switch order of questions, add questions to gain deeper knowledge within the areas of interest and hence made the interview flexible (Bryman & Bell, 2011). Interviews were further carried out on

several hierarchical levels and functions in order to possibly obtain a diversity of views and opinions to shed light on perceptual differences.

Two persons were always present during the interviews where one interviewed while the other focused on taking notes. Each person had the task of either being an interviewer or to take notes to avoid bias in personal manners to ask questions or taking notes. Tasks were however iteratively changed between persons to constantly maintain a high level of engagement and to mitigate attrition.

### 3.2.3 SELECTION OF INTERVIEWEES

Companies were contacted through e-mail and addresses were found at *LinkedIn* or company presentations since no previous network of contacts existed. Companies that replied on e-mails usually appointed a contact person for further communication and to schedule the interviews. The involved companies did select the persons for interviews, making it necessary to accept the selection that hence could increase bias.

The lion's share of the selected interviewees had celebrated their 40th birthday and probably also the 50th with only a few expectations where people still strived towards their 30th or 40th birthday. People in promising positions or executive roles had often stayed within a company during an extensive period of time and company culture that assumingly had influenced their development to become integrated with the company and its values.

### 3.2.4 ESTABLISHING AN INTERVIEW GUIDE

The research method was found accordingly to the areas to investigate as in figure 4 below. Cultural and regional, political and economical conditions were agreed to be explored to apprehend potential effects on the four main areas of: strategy, challenges, leadership development and leadership. The four areas of investigation were further divided into semi-structured interview questions based on pre-understanding from open interviews (Appendix 10.1).



Figure 4. Overview of the areas to investigate

The research questions evolved continuously when additional empirical data was obtained and made the boundaries narrower as the work advanced, which in turn enabled further and more precise data collection as visualized in figure 5 below (Bryman & Bell, 2011). Interview questions became iteratively reformulated as the understanding within the research areas increased to understand additional symptoms.

### 3.2.5 DATA ANALYSIS

The framework in figure 5 below was used for the analysis based on an iterative process for both the collection and analysis of data as the research evolved during the project (Bryman & Bell, 2011).

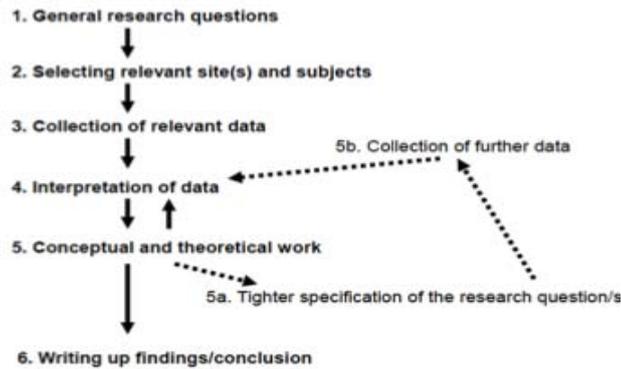


Figure 5. Iterative qualitative research process

Data from the 52 transcribed interviews were gathered in nine specific summaries for each company that participated in the study (figure 6 below). The data in each summary was categorized according to one of the four main areas, strategy, challenges, leadership development and leadership to facilitate a subsequent analysis.



Figure 6. Process for data coding and summary of empirical data

According to Bryman & Bell (2011), coding constitute an important process in qualitative research when categorizing, dividing and sorting qualitative data. NVivo was initially utilized as a tool to establish a structure of the data and hence applying a coding process to detect patterns. Theoretical saturation and constant comparison was further used as guidance in the data collection process to develop the interview guide further in order to investigate gaps in the analysis (Bryman & Bell, 2011). Communication between the researchers was constantly rich during the coding and analysis part to reduce perceptual differences and the risk of losing important data and to mitigate bias from subjective conclusions.

### 3.3. LITERATURE REVIEW

There is an important precondition in the scanning of a planned research area to get the understanding of what previously has been researched and how to use that research as a springboard (Bryman & Bell, 2011). The review was initially carried out comprehensively in the study with the aim to get as much information as possible, resulting in a list of literature for review (Bryman & Bell, 2011). Based on the research questions as guidance, literature review was performed by searching the Chalmers library database and by using online search engines such as Google Scholar. The tutor at Chalmers did also assist by providing appropriate literature as the research evolved.

Since the study aimed to investigate four major areas it became vital to address each specific area and how local conditions affected each area. In order to apprehend cultural phenomenon, a thorough investigation was included in the report to describe the history and the cultural evolvement. The market and competition was also assessed as important to investigate as well as strategic concerns. The final area regarded leadership and leadership development to enable an understanding of SMNCs' alignment of strategies and leadership development.

### 3.4. RELIABILITY AND VALIDITY

Bryman & Bell (2011) describes reliability and validity in qualitative research. Reliability concerns the question whether the study is repeatable or not, focusing on the consistency of the research, which further divides twofold: internal and external reliability (Bryman & Bell, 2011). External reliability describes the degree of ability to replicate a study since it is argued to be complex in qualitative research due to the impossibility to freeze social systems. Internal reliability refers to the degree of consistency from for instance measurement.

Since this study was based on relatively few companies only moderate external validity applies and makes the research less open for generalization (Bryman & Bell, 2011). Bryman & Bell (2011) mentions a low external validity when interviewees are picked non-randomly which was the case in this study since the companies selected interviewees. The diversity of roles and size of companies made it complex to generalize findings since interviewees possessed a variety of positions. Examples were finance, operations and sales which consequently depicted various expectations related to specific needs of a certain position. The question regarding replication of the study was considered continuously during interviews and various interview guides are included in appendix 10.1 to favor replication (Bryman & Bell, 2011).

## 4 EMPIRICAL FINDINGS

The empirical chapter will address the findings revealed during the interviews when employees narrated their own perceptions and experiences within the areas of investigation. The empirical chapter is divided according to the areas of investigation: Indian culture, leadership, leadership development, challenges and strategy. Abbreviations will be used in the empirical part where executives and high potentials will be abbreviated (E) and (HiPo) respectively.

### 4.1 INDIAN CULTURE

The Indian culture was found to shed light on a number of areas that was not expected to occur prior the conduction of the study. Consequently, the most interesting areas are presented below which potentially could influence the Indian business climate and how SMNCs are managing the daily business.

#### 4.1.1 THE DIMINISHING CASTE SYSTEM TODAY

Previously in history, the caste system influenced a person's destiny in life where people were expected to recognize and accept that destiny. It is partly true still today but in a dynamic manner where positions can be switched and people have the possibility to succeed in the social hierarchy (E and HiPos). A metaphor illustrating a mountain depicts the situation where people at the bottom of the mountain suddenly have the possibility to start climbing the mountain towards its peak. People nowadays tend to be less loyal to a company compared to before and especially if recognizing an opportunity to climb the social ladder which to a large extent relates to the position rather than occupation (E). The constant desire among Indians to grow within companies furthermore yields growth in the social layer as well. Growth within companies does however differ in complexity between western and typical Indian companies. A typical western manufacturing company in India might consist of 4 vertical layers while a similar Indian company might have 12 layers in average. By having multiple layers people can be promoted quicker which then affect the social status. This desire has been recognized by Indian companies who usually promote people every second year irrespectively if an employee have meet expectations or not. The desire to rapidly succeed can hence create issues for western companies since organizational structures differ quite extensively (HiPo).

An executive mentioned that the caste system in society can consist of as many as fifty vertical layers where people tend to be sorted accordingly. However, the same executive additionally argued that distances between the top and bottom segments has escalated even further compared to before. *“Here in India it is a huge difference, the bottom is fighting for not to starve to death and the other part is super rich”* (HiPo within manufacturing). A strive for power and social status was occasionally argued as prevailing and present in multiple industries. An example was for instance when persons received a company car of a certain brand but that later decided to switch to another brand recognized more as a high status brand. Different status symbols can additionally portray the desire for power and social status where the size of office serves as an example. This behavior derives from the hierarchy, social status and classes: *“you want to be able to show the signs of success, societal success and this is how they manifest themselves”* (E). This was considered as a trend in emerging markets and thus not only unique to India.

People aspire to something else and they want new knowledge and experience but a lot of it has to do with status and to aspire for a better life. *“You travel outside and see different countries which are developed, you see beautiful infrastructure where everything works well and surroundings are clean etc. There are very few human beings that would say no, I want this chaos”* (E). When better living standards start to be a possibility it starts influencing behaviors in organizations and people are willing to take opportunities to get a better life. This has made people less willing to accept a predefined destiny and people are more often switching jobs to reach a better standard of living (E - SVP HR).

#### 4.1.2 INDIVIDUALISM, COLLECTIVISM AND THE WAR FOR TALENT

Interviewees argued that it has been a shift in mentality during the last couple of decades when people joined a company to be loyal and grow. Leaving the company would only turn into reality if perceiving advancements as unachievable. More recently due to the liberalization, opportunities and escalating cost of living, people want to obtain a better standard faster. This was considered as true for the majority of interviewees and even more prevailing among younger leaders. The uncertainty from an economical standpoint amplifies the desire of reaching a better situation even further. This is true for many capitalistic economies although that the Indian government is mainly socialistic while the business side was assessed to be capitalistic (E - HR). If one person within a team suddenly succeeds to be the leader of his old peers, it does not stop with his promotion; it is almost like his wife also got promoted. Hence, the resistance stem beyond solely the workplace, it becomes a societal issue as well and that is what people have to deal with. Consequently, it was assessed by an executive that people tend to be collectivistic in the relationship-oriented sense where people value the working environment. But people are however concerned about their own development, which stems into a sliding scale, placing Indian leaders somewhere between the extremes of collectivism and individualism.

##### **The war for talent**

In emerging markets when the opportunity for growth starts to prevail, international investors aims to establish a business to obtain a share of the market. Due to the undesirability to lose the opportunity, it becomes urgent to rapidly employ talented persons. The target consequently points towards already established employers to attract and recruit people from them. The talent pool does however stay relatively limited alongside the growing economy. What then happens is that employers start to offer financial benefits with steadily increasing amounts: *“almost like an auction, a bidding war, and a talent action”* (E). A number of years with increasing incentives have affected how people resonate and unrealistic senses of entitlement and increment levels has occurred between 2000 and 2010. Increases in salaries across dynamic market have surpassed 20% annually mostly driven by business process outsourcing (BPO) and information and communication technology (ICT) industries. Another

issue with rapidly growing markets is that people need to be employed to fill positions inside companies. Employers are forced to offer positions with higher status to mitigate an unsustainable turnover of people. This has created a vicious circle where people switch companies to gain higher salaries and positions with higher status. Manufacturing and automotive industries has however not experienced the same tendencies (E within ICT). The job switching mentality was yet argued to not represent the general Indian culture since Indians fundamentally represent a collective nation enjoying coexisting, which can be seen in underdeveloped villages.

#### 4.1.3 HUMANISTIC PHILOSOPHY AND THE IMPORTANCE OF HAVING TRUST

The Indian way of working emphasizes the human being with values around the human being. *“We are afraid and do not like to measure our performance in numbers, because our culture, the performance is a human activity and cannot be measured in figures”* (HiPo). The humanistic philosophy was narrated to apply to relations as well where people seldom trust one another. But if getting closer in a relation, people receive openness and people tend to do almost anything to help you (E). A relationship hence greases and facilitates the daily work and the same applies within an organizational context as well: *“I do a deal because I trust you or because I got a good relationship with you. I do not do a deal because the numbers make sense along”* (E - HR).

People in India seldom say no or confess disagreement. This was argued to derive from the mentality of being impolite if disagreeing (E - expatriates). With that said, it becomes vital for expatriates to understand the differences in nuances regarding peoples’ reactions and intentions. Instructions are usually acknowledged in India and people shake their heads in the typical Indian manner. However, this does not mean that people will fulfill their tasks. The meaning of a “head shake” could often imply: *“I understood what you said and I heard you, but it does not mean that I will do it”* (E) Therefore, having trust could be the difference between an explanation of why an order cannot be fulfilled or, be promised a delivery tomorrow although that the real delivery time is one week (E).

#### 4.1.4 DIVERSITY AND ITS IMPLICATIONS ON BUSINESS

Diversity is present in various ways in India ranging from cultures and religions to individual characteristics and multiple languages within the 28 regions. The religions foremost consist of Hindu, Muslims and Christians where Hinduism further includes multiple sub castes. It is therefore a prerequisite to know what people like and dislike, where they come from and the aspirational level for every individual to know how to motivate people (HiPo). *“To manage diversity I recognize my team and my people below me and you have to understand people individually. There are no other ways about it and it is the hard way but still the only way”* (HiPo). Consequently, the intrinsic drive inside people matters foremost and needs to be acknowledged to later link individual benefits with organizational needs, *“otherwise it won’t work”* (HiPo). Numerous executives however found it relatively non-complex to handle diverse groups from India and to adapt to different cultures within India. India provides natural diversity with people with different mindsets that then add value to the decision-making process through different perspectives (E). It was instead argued that diversity is more problematic on a global level and Peers from for example Sweden or France do constitute a more complex task to understand since their ways of thinking occasionally differs (E).

It is not uncommon that companies in India tend to recruit people from their own caste and religion according to a European executive. One SMNC stated that their recruitment process prohibited a process where certain backgrounds are favored due to the importance of diversity to support growth (E). A majority of the investigated SMNCs further argued that different nationalities as Sweden, Europe and India operating in the daily work. This diversity did enable a utilization of diverse skills to jointly develop within networks between subsidiaries. People with international experience

additionally stressed that their various positions has facilitated the understanding of other people, which consequently facilitated the management of diverse teams. Unlike the investigated SMNCs, a majority of the local Indian companies did not possess the same level of diversity (HiPo). The tendency is however that even pure Indian companies strive towards a heterogeneous set up (E).

#### 4.1.5 JUGAAD AND INDIAN FLEXIBILITY

Poverty is severe in India and 25% of the world's poorest people live there and consequently rely on short term solutions to survive (E). *"Tomorrow you never know so you have to make it today"* (HiPo). In relation of being short termed, Jugaad was expressed as a well-known behavior in India describing the Indian way of solving problems in an ad hoc manner and with limited resources. This was argued to derive from the culture: *"just do it instead of look into what is wrong, Indians just go for the solution"* (E). The advantages with Jugaad are high level of agility, quickness and opportunism but at the expense of sustainability and long term focus. This mindset was often argued by interviewees be attributed to poor people who had inherited or developed a mindset of being short-termed.

A majority of interviewees also argued that one of the Indians strongest asset was the ability to change which was considered a comfortable action needed to survive. Indians flexibility also applied to career paths where people often changed positions within and between companies to succeed (HiPo). In relation to flexibility, an executive found Europeans less quick in the decision-making process compared to Indians in general. *"I would say Indians are more flexible in their approach, do think outside the box and when you have a team doing that you have great flexibility in your setup"* (E). The SMNCs were aware of the short term mindset but did simultaneously deny its prevalence in the daily work, albeit that several interviewees knew that Jugaad occurred at other companies.

Indian companies were deemed by interviewees to be more into the philosophy of Jugaad, potentially enabling winning orders short term. SMNCs were instead pursuing the philosophy to constantly put the customer in center which naturally created an avoidance of shortcuts and hence negative long term effects: *"We might win the game today but somebody will pay a price tomorrow so I do not subscribe to Jugaad if compromising the long term objectives"* (E). An example concerned a MNC (not included in the study) who dumped prices to consequently receive plenty of order. The problem was though that no capacity existed to deliver all orders. A difference was ultimately explained that people with educational backgrounds tended to have a different view of Jugaad to sometimes avoid it completely (E).

## 4.2 LEADERSHIP IN INDIA

Employees in India look up to the leader who thus needs to play the role of a strong leader, being present. The leader is also expected to set a vision for his organization and teams but also help them to achieve the goals by being present. The leader should further lead according to organizational values to make employees learn and inculcate the SMNC's value system. Instead of follow-ups and review meetings, employees and direct reporting leaders prefer aspirational talks combined with clear directions (E). Chapter 4.2 will also address the most prevailing challenges in connection to the role of possessing the role of being a leader according to both HiPos and executives.

### 4.2.1 PERCEPTIONS OF LEADERSHIP

Interviewees frequently emphasized several expectations about themselves that consequently will be described below, divided into HiPos' and current executives' expectations respectively.

### **HiPos' perceptions of leadership**

Setting a clear vision and mission was considered as among the most vital expectations for HiPos to deliver. The vision should intuitively strive towards the needs of the specific area of responsibility but it should further align with the overarching vision for the company. Another commonality in terms of expectations related to communicating the mission for the team including a roadmap to reach the target. It was also desired that the leader should ensure that the entire team works in the same direction. *“Leaders are peoples persons, able to show the way for the team, take the team along, have and communicate the company vision”* (HiPo). Hence, communication should be transparent but leaders should also show flexibility and trust without dictatorship. Desirably, leaders should additionally empower people to elaborate to find their own way to deliver results (HiPo) yet without interfering. There is however a concurrent need of being well informed and updated about happenings to simultaneously have foresight to predict potential obstacles (HiPo).

It was expressed that employees at a SMNC within manufacturing sometimes got lost and lacked full visibility. The leader should be present both in times of stress but also during progress. Presence further facilitates a leader's understanding about problems and also to enable constructive feedback. This was narrated as necessary to improve both individually and collectively to deliver results. Leaders were also expected to drive team development and to identify gaps in skills and capabilities followed by training, coaching and suitable objectives to make people grow and close gaps (HiPos). Several employees also assessed it important to know the team in terms of ambitions to find appropriate tasks to maintain engagement. Another relatively frequent pattern was the focus on risk taking and employees were expressed to often be encouraged to take risks to leverage opportunities. One of the interviewees, responsible for 200 persons, argued that 60% correct decisions were acceptable if appearing once. People are should hence be allowed to make mistakes as long as the intent is good and aligned with company values and goals. However, when risks are identified, actions should naturally be preceded with an assessment of options to reduce the risks (HiPo).

### **Executives' perceptions of leadership**

Executives argued that stakeholders frequently expected a sustainable and predictable growth based on forecasting. It was further expressed to be an executive's responsibility to drive the company towards being sustainable and profitable. To enable a sustainable growth, executives were also expected to develop the teams in general and in particular the potential persons through challenging assignments to progressively obtain *“roles bigger than their shoes”* (E). To be able to carry out a certain task, the leader has to understand the dynamics of each particular team and how that team should be balanced in order to perform. Managing multiple stakeholders was additionally argued to be a prerequisite due to a challenge in the communication with corporate about local circumstances and constraints. Executives were therefore expected to thoroughly understand the corporate strategy to align needed actions and make people understand the strategy (E). To achieve performance, leaders were finally required to understand local needs, local customers and local competition to consistently develop and update suitable value propositions to generate customer value (E). Table 2 below visualizes the perceptual differences between current executives and HiPos.

HiPos' perceptions	Executives' perceptions
Setting a clear vision	Sustainable growth
Deliver Results	Development of teams
Pursuing company values	Understand dynamics in teams
Transparent communication and flexibility	Deal with multiple stakeholders
	Understand local environment

Table 2. Perceptual differences between executives and HiPos

#### 4.2.2 CHALLENGES IN BEING A LEADER

In section 4.2.2 both HiPos' and executives' perceptions of challenges related to leadership are presented based on their experiences.

##### **Challenges perceived by HiPos**

Communication and convincing peers was frequently presented by HiPos as a challenge to manage as a leader in SMNCs. People need to be aligned in a certain direction, creating an emphasis on explaining—the logic behind a need and why it has to be done. The diversity of cultures within India created an aggravated task to convey a convincing message to reach alignment, or as a HiPo expressed it: *“it is like with customers, it is about selling”*. Another expressed challenge was to attract talents and to maintain their motivation. People often changed employer every 3-4 years that also created a frequent need to answer *“what is next for me”* (HiPo). *“They all want to climb the ladder fast but all cannot be directors since somebody need to work”* (HiPo). A part of the retention problem was argued to stem from structural differences between typical Indian companies and SMNCs. SMNCs often relied on a flat organizational structure as opposed from local Indian companies who apply annual promotion due to the hierarchical structure: *“In India it matters more which title you have than what you actually make in terms of money”* (HiPo). In a flat organization people cannot expect else than increases in salary creating a major challenge to keep employees engaged and motivated (HiPo).

Being a part of a major SMNC was argued to require certain frameworks of procedures and processes. But frameworks could concurrently be challenging to manage activities and issues within a given framework (HiPo). Another issue explicated by multiple HiPos was to align talents to company values. Occasionally Western values created tensions between the Indian mentality of being innovative and the western approach of consult before by making a decision. Due to the prolonged time of consultation before reaching a conclusion, the decision making process was sometimes deemed as required to be done quicker according to HiPos.

##### **Challenges perceived by executives**

The time is perceived as circular in India meaning that a lost hour is not always perceived as a problem since it will come another hour. This could consequently affect the speed of executing a strategy. The problem of time was identified by the lion's share of SMNCs and the culture of not sticking to time was assessed to not become erased during the next couple of years (E). Another challenge was related to expectations of performance between Europe and India: *“In India, suppose you ask someone to do something 100% when people in India do 80% but still behave like have done more than 100%. In Europe 100 is 100 and 80 is 80”* (E). This gap was perceived as challenging by executives since it is culturally wrong for Indians to say no, admit delays or addressing deviation from

targets to the manager. *“You get the answer that people think you want to hear by respect to the manager”* (E - expatriate).

Another challenge according to executives was to keep the balance between long and short term planning, mainly based on the fluctuating and emerging market with the simultaneous pressure of decreasing costs. Executives often received a long-term plan from corporate to subsequently cascade it to a regional short-term version and assure every managers understanding and approval. To reach approval then implied another challenge in the communicative part. Communication was a complex issue according to executives when cascading long term plans since talking to different people with various nationalities and cultural backgrounds (E). *“If you as a leader does not get clarity of the future 6-12 months you are getting to become worried .... this is very common here because the market changes rapidly and it takes time to adopt to those changes”*. When interacting within an international environment the communication does not work in the same way and thus communication was perceived as time consuming, partly due to SMNCs’ consensual decision-making.

Another major challenge was to make employees understand the company culture and learn the values independent of location. Since employed people in India often possess vastly different backgrounds, SMNCs has a challenge in the integration process: *“cultural integration is the biggest part of being a leader at this company”* (E). It does however require time to understand the process and the integration speed has to be higher than the speed of recruitment. The speed of integration turn into particular importance for an ICT company stated to have hired 15000 people during three years.

A Further challenge often related to differences in organizational structures between local companies and SMNCs and how to deal with decision making: *“Making decision is a team sport where bouncing the thought of and getting buy in into the decision from various stakeholders”* (E – HR). In relation to decision making, new recruited leaders was stated to occasionally say *“I am the boss, if I am saying that this is the way it should be, why the heck should I be asking all the other people?”*(E). In a matrix environment it is not about power, it is about taking the right decision and get the views from people that might increase the quality of a decision (E). Below, the perceived challenges related to leadership are presented in table 3.

HiPos perceptions	Executives perceptions
Communication and convince peers	Make things happen
Motivate and retain talents	Balance between long and short term planning
Corporate culture creating constraints	Corporate local understanding
	Integrate Indian culture in SMNC’s

Table 3. Perceived challenges related to leadership

#### 4.2.3 LEADERSHIP IN INDIA

The empirical study revealed external understanding, strong leader and finally present and relation based leadership as important traits to possess to become perceived as a successful leader in India. This will consequently be described in section below.

##### **Understanding the Dynamic and growing market**

The leader cannot be pleased with status quo but should rather be hungry and lead from the front with the purpose of catching opportunities occurring in the emerging market. *“Hunter or farmer, I would call myself a hunter”* does from one point of view depict the philosophy of being a successful leader in the dynamic market in India (HiPo). Learning was further argued as important to constantly

understand and adapt the evolving prerequisites of the environment including the relation between people, products and markets (E).

In emerging markets judicial systems, economy and political landscapes continuously emerges which consequently emphasizes the importance for leaders to possess agility and ability to quickly see opportunities and risks. Imagination and courage served as particularly vital traits to possess according to interviewees at General Electric (GE). GE's corporate HQ was expressed to be located in US and often managing the business in a certain manner until ideas of investments or improvements were convincingly communicated. The need convincing communication emphasized the need of possessing both imagination and courage. *"What we see is very often that people in emerging markets will cover down and it is what I call; becoming an MNC slave"* (E). By simply awaiting instructions does not leverage personal development and it overrides the entrepreneurial mentality desired in terms of suggestions of how to become successful in a local market (E).

### **The strong leader**

The presence of a charismatic and patriarchal leader was expressed as common within Indian companies with Tata as an example with a HQ exhibiting a great picture of the founder. Due to a strong emphasis on the leader, the vision of the leader serves as an important foundation for the rest of the enterprise. If the leader has a long-term vision it is more likely that the company pursue the vision as well. Instead of follow-ups and review meetings, employees and direct reporting leaders addressed to prefer inspirational talks which had to be combined with clear directions. Hence, the ability to conduct aspirational talks constitute a prerequisite for Indian leaders in order to be perceived as strong.

### **Present and Relation based leadership**

Indians are naturally not comfortable in being measured in terms of numbers and the reason partly grounds in the volatile environment (E). A Swedish leader also resonated about the complexity to create accountability since people were argued to lack the ability of taking initiatives and to find new ways to solve problems. Transparency and clarity in how a situation evolved could also be tough to address that it could take weeks before an issue surfaced: *"It is impossible that we have delivery precision of 97% when every customer are complaining about late deliveries"* (Swedish E in India). The quotation above describes how employees managed to illustrate a brighter picture of the situation by twisting number but problems yet surfaced when more extensive investigations was conducted as a result of numerous customer complaints.

Leaders described how they tried to not overemphasize numbers since employees rather preferred to hear about the next big things and inspirational talks. This was however argued to be absent in SMNCs. When communicating with an Indian, leaders need to listen to peoples' problems and if just demanding without having the understanding there is a possibility that Indians revolt and not give the straight answer. This since Indian people is often emotional and relation based when establishing trust, making it necessary to add the emotional aspect when managing people.

## **4.3 TALENT MANAGEMENT**

The talent management chapter below is divided into recruitment, leadership development and retention where the lion's share is dedicated to the development part.

### **4.3.1 RECRUITMENT**

A majority of the investigated companies tended to recruit primarily from the top 1-20 universities. A few SMNCs within manufacturing did however argue to focus more on the universities ranked outside top 10 since persons from top universities had a higher tendency to switch positions between

companies more frequently. Even though India today consists of more than one billion citizens with a large amount of well educated, it is still a complex challenge finding the right people. An articulated reason was that various industries and even western companies beyond India's borders nowadays attract Indians. Although recruitment required plenty of time it was yet considered as a vital task and executives narrated how 100 interviewed could result in four employed. This since employing the wrong persons could hamper the strategy deployment which was perceived as even worse than spending extra time to find the right talents (HiPo).

#### 4.3.2 LEADERSHIP DEVELOPMENT

All companies agreed that the core pillar in the development of leaders is the career planning which needs to be aligned with future strategic deployments. Two alternatives of career planning were expressed: an open job market and succession planning. Both alternatives required a mix of internal and external recruitment to ultimately make the planning of positions to a key activity to ensure continuous supply of human resources. It is important that leaders support HiPos and provide them with a career plan with appropriate objectives to develop and succeed accordingly to expectations. Several types of leadership development processes were emphasized during the interviews but three of the most distinguishing cases will be presented in this section.

##### **Case: Performance culture**

An investigated SMNC within ICT argued that everyone cannot be HiPos and therefore performance is assessed and mapped by every manager, stretching from 0-20% for low performers and 0-20% in the upper performance spectra. The distribution was depicted as bell curved with the average performers in the middle, approximately as in figure 7 below.

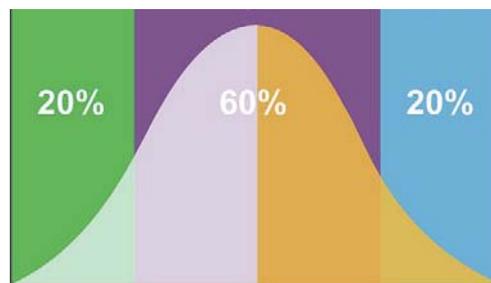


Figure 7. The performance curve used at a SMNC within ICT

If detecting low performers, leaders are responsible to close the identified gaps in six months by creating individual improvement plans (E). If absent of improvements after the first plan, an additional six months plan applies with a subsequent evaluation. But if that does not work either *“we are not shy about saying that we are getting rid of low performers so shape up or ship out”* (E - HR). All managers are consequently trained within performance management as a foundation to reach goals based on monthly discussions to track performances based on documented reviews. The ICT Company has selected several strategic objectives to drive the development of people as headcount growth, retention of HiPos, number of training days and employer engagement score. All of these objectives align the development of resources to the strategy of increasing service in the value proposition. Except strategic objectives, an almost secret program was applied for rapid HiPos, detected by top-management as candidates for upcoming executive roles in a five-year perspective: *“People are handpicked rather than people apply”* (HiPo).

### **Case: Long term alignment**

Opposed to the majority of investigated SMNCs, a manufacturing company seemed to possess a structured program with the purpose to define the perceived requirements of competencies for the organization to succeed in 2020: *“We are very clear that we will not reach our goals if we do not do that right.... It is a critical pillar for our strategy”* (E). The company started to identify key success factors for 2020 to then stem into competences for leaders to develop as for instance behavior, policies and tools. HiPos are subsequently evaluated to identify gaps to be closed by creating special individual development plans to enhance weaknesses and emphasize strengths. To fulfill plans, job rotation was argued to frequently apply when for instance Asian managers experience international positions providing cross cultural understanding and development (E).

### **General leadership development in SMNCs**

Interviewees often shared an opinion about classroom courses as ongoing within the field of leadership development. The common view about the outcomes was although that new knowledge tended to be forgotten before applying the knowledge due to a poor alignment with career planning: *“I don't see that kind of structured development thing. It might exist but I can't at least see it”* (HiPo). Several SMNCs expressed to categorize employees based on their ability to grow vertically through assessments of core competences as team working skills and innovation. These competences were however partly unknown by top-management: *“I don't remember it all now but each competence have defined descriptions for every level to reach”* (E). An outlier was however a SMNC within manufacturing who based succession planning on an open job market where positions usually were advertised internally. To enable a competitive long-term plan, interviewees stated a need of alignment between leadership development activities and overarching strategies. Several SMNCs did however lack the long term foresight to grow leaders internally which created a need of finding leaders externally. A SMNC communicated an ongoing expansion that shed light on poor foresight since starting to recruit extensively only once the expansion was ongoing rather than preparing in advance.

### **4.3.3 GE BEST PRACTICE**

This chapter aims to address some of the factors that have been mentioned in literature as success factors to transform GE into one of the most recognized companies worldwide in terms of successful leadership and leadership development. The chapter will include the growth values and traits, how leadership development is performed, the personal growth plan called EMS (Employee Management System) and finally also the organizational assessment tool named Session C.

### **Growth values and traits**

*“At GE it is not only important what you do, which is your performance, it is very important in our company about how you do it, which is how you are operating as a leader.... leadership is not about I'm leading people, leadership is the way in which I think”* (E - HR). Plenty of research has been done, talks with various companies and empirical data has resulted in five key traits that leaders need to possess to be successful at GE. Below, the five growth values are presented which continuously are assessed and evaluated both on individual and organizational level that also align with company specific needs to stay competitive. The 5 values are describes as according to interviewees.

1: To have external focus to be customer oriented and in tune with movements on the marketplace to be able to look around corners to avoid getting caught by any surprise. It further necessary to understand the regulatory and the social environment and how it translates into business opportunities.

2. The 2<sup>nd</sup> growth value is being a clear thinker. The clear thinker is more related to people in leadership positions who actually lead people which is about being strategic, being able to understand

the big picture, set a strategy and set up a course for the organization. The course should also be translated into a simple message so that the entire organization can understand what and why doing it.

*“Very often you see people who are supposedly very strategic and good strategic minds but if you talk with them about strategy it is like they are talking a different language. They make it so complicated so it is difficult to understand it and we believe that that kind of strategic mindset is not very useful in our organization because it does not get the people behind them”* (E - HR).

3. The 3<sup>rd</sup> value is imagination with courage. It is believed that people should continuously be thinking outside the box, new ways to add value to customers and new ways to become more efficient as a business. An example was expressed as recognizing inefficient processes and challenge those processes and to have the courage to follow though good ideas in terms of implementing it and convincing other, overcoming roadblocks. *“Imagination and courage in an entire organization like this, you can drive a lot of change”* (E - HR).

4. The 4<sup>th</sup> growth value is inclusiveness. GE is a company of 300000 people and structured in a matrix and being successful at GE is about having the ability to work and play as in a team sport (E). The ability to work with teams, accept or suppose ideas and the ability to create an environment where people feel energized, that is all about being inclusive. *“If having outstanding personal skills and being very good at the work you do but lack the ability to work with other people, you will not go very far in this company”* (E - HR).

5. The final and 5<sup>th</sup> growth value is expertise, which came back a few years ago where as a part of the culture where people are willing to change their job and do something else every 24-month. *“The chairman said, look we are a technology company and if you want to be a technology company you got to be deep before you go broad”* (E). Then the mantra of going deep before going broad started and then the fifth growth value became expertise where leaders need to possess a deep competence in one or two areas before thinking about broad leadership.

Finally, an emphasized need was expressed of adapting growth values to external factors. Growth values are generally redefined every three year including the needs of the future leadership to maintain a dynamic development of the future leaders.

### **Leadership development at GE**

Growth values and traits were expressed by interviewees to play an important role in how to be a leader at GE. Leadership development activities were additionally presented as a comprehensive process including EMS at an individual level and the session C on a team level. The continuous aim was stated to be to align leadership development with organizational needs.

### **EMS**

Interviewees argued that the employee management tool (EMS) is the most important tool which is a formal process of communication where feedback is received approximately 10-12 times annually. EMS is a single document where strengths and development needs are discussed alongside with career interests of the individual. *“During all my 16 years in GE it has been in exactly the same way”* (E). It was however expressed to have changed to the extent that more emphasis nowadays is on the growth values as opposed to a decade ago when performance was more emphasized (E). The EMS contains two dimensions: Individual performance and growth values where people are assessed. The performance part is of course vital but might still fluctuate over time. The growth values should however continuously be developed and therefore coaching is dedicated to that part. Every individual further possess a development plan to ensure a development in a desired direction.

## Session C

Multiple EMS consequently feeds into the Session C that is a formal process that evaluates organizational performance. Different tools assess strength and weaknesses within the company and the teams. Individual EMS constitute one of the tools in Session C that are further considered during Session C meetings when individual development plans aims to be aligned with organizational needs. The subsequent step is to align training, cross-functional expertise and other developmental needs in order to fulfill the individual development plan, without the individuals' awareness. Consequently succession planning becomes a major part of Session C *"to create a development plan for every critical role"* (E). One interviewee narrated that it is his responsibility to address potential employees who might suit another leading role. The addressed employee later receives training and attention from the next hiring manager alongside other potentials. This makes the manager aware about the candidates 6-9 month in advance. Hence, a part of session C is the managers' role to annually present three names as potential successors of his position to the leadership team. The leadership team does consequently receive three names from a specific leader but might concurrently receive additional suggestions from another two persons. When the leadership team has assessed all candidates they decide upon a successor. Another expectation on the manager is to put low performers back on the right track. It was narrated that low performers sometimes are assigned to the wrong position and here coaching plays a vital role to make people detect their own strengths. Finally, Session C is not a rigid process performed periodically. Managers are rather continuously informed about potential leaders, making it to a part of the daily work.

### 4.3.4 RETENTION

A majority of all investigated companies argued to face issues with the retention of talents. This was argued to derive from cultural trends as for instance the diminishing caste system and peoples' individualistic drive for social success. The socio-cultural changes have consequently affected the mindset of HiPos as opposed to current executives who deemed stability and loyalty as more important compared to rapid growth. HiPos expressed to favor challenging tasks to subsequently develop rapidly in both their professional and social careers (E). Executives did however admit that HiPos learned fast but yet needed to acknowledge the company and its culture before succeeding into more demanding positions. Due to the eagerness to succeed, executives frequently found it complex to constantly provide challenging tasks to keep subordinates motivated. It further existed expectations about monetary increases and vertical growth making the situation even more complex: *"the moment I lose their expectations, I will lose them"* (E). Industrial differences regarding retention did however exist. People with a higher education from top universities was argued to have a tendency to apply for IT and services, leaving core technology engineers within the manufacturing industry. The manufacturing industry has further been affected by the caste system and peoples' perceptions about the industry. Manufacturing has historically been perceived as dirty and associated with low caste segments and hence attracting less people as opposed from IT.

## 4.4 MARKET CHALLENGES

The following chapter aims to depict the most frequently occurring market challenges according to interviewees. It was additionally argued that challenges in India and emerging markets differed compared to challenges in mature western markets. Challenges are further divided into current and 5-10 year future markets.

### 4.4.1 UNDERSTANDING CUSTOMERS & ADAPTING THE VALUE PROPOSITION

Executives stated a need to create strategic advantages to outperform competitors. The dynamic environment further stressed the importance of understanding the Indian customer needs to create a

value proposition fulfilling expectations and perceptions of a product or service. The rapidly changing demographics with a growing middle class drive the buying behavior in a new direction with increasing requirements on products. This results in a need to transform from a resource to a market driven strategy. Another trend stated by multiple companies was the need of moving from a product to service orientation.

Both an ICT and a manufacturing company argued that products used elsewhere in the world do not automatically apply to the Indian context since pricing diverges. It was also narrated that products in India are priced one tenth compared to markets elsewhere. Hence, several interviewees considered it challenging to be present both globally and locally simultaneously to adapt the product portfolio to meet multiple demands: *“Our customer base ranges from huge partners to minimal ones, making the tail in the normal distribution almost endless”* (E). However, new products do not solely apply to the Indian market. New products occasionally suits other developing markets as well and thus, the initial need to understand and adapt a value proposition concurrently serves as an opportunity (E). The importance of local understanding was however emphasized and visualized by a quotation: *“The availability of power is more important than the quality since it is more important to have it rather than having it with quality”* (E).

Another challenge was the need to continuously improve value propositions since customers often had the possibility to order similar products from hundreds of competitors. In order to improve value propositions, one company stated to help customers to reduce downtime and energy consumption (E within manufacturing). An expressed way to increase the possibility to develop a suitable value proposition on the Indian market was also through joint ventures (JV). A SMNC had established a JV with an Indian player to jointly develop a value proposition by utilizing the strengths and weaknesses of both parties. In order to succeed with a JV, the focus should be on the joint success rather than focusing to extensive on how to divide the profit (E).

#### 4.4.2 UNDERSTANDING COMPETITION

Being present in a dynamic business context forces companies to constantly adapt to customers dynamic desires. Another aspect is the increasingly fierce competition from an increasing number of competitors resulting in shrinking market shares. A part of the competition derives from a more open market with fewer barriers to sell and import (E). Competition naturally stems from competitors but it does also stem from suppliers transforming into vendors that consequently changes the business environment. As mentioned by a forefront SMNC within manufacturing, competitors are both international and local Indian players copying both products and services. Challenges in cost consequently partly derive from competitors specialized in for instance material supply without extensive investments in R&D or equipment. This allows them to offer similar products in certain segments that cannot be matched in terms of prices: *“We have not lost the market in terms of quality, but in price we have lost”* (E and HiPo). The effect is that customers require lower prices but also more products and services to be included for free (E).

New competitors were argued to emerge in a rapid pace creating a need of agility to not be left behind (E). The vast amount of competition on the market combined with suppliers' evolvment to become vendors creates a vague market with several minor players flexible to adapt. Minor players were further argued to possess the agility to offer quick fix services that consequently composed a threat for the large MNCs including the Swedish ones (E). SMNCs faced issues to adapt to rapid market changes since being big and therefore slower than the market. HiPos repeatedly addressed the need of creating a more rapid decision making process since considering the current one as too slow. The current executives did however not perceive this problem similarly.

#### 4.4.3 INFRASTRUCTURE AND THE ABILITY TO PLAN

A lack of reliable infrastructure increases the complexity to develop a reliable and stable supply chain creating obstacles both when meeting customers and during distribution (E). Meeting customers becomes even more complex since being dispersed over the entire Indian country. Which affects the distribution since it becomes complex to estimate a delivery time as the condition of roads differs

Another factor expressed as an additional market challenge was customers' inability to promise according to obligations. Customers might for instance request delivery tomorrow and payment during the same day in return but the payment was often still delayed. Then it comes down to the professionalism of the organization running the projects, "*timelines does not mean a lot to them*" (E). Amplified with the statement that Indians occasionally tend to promise 100 pieces but yet delivered 80 (E). As argued by the interviewee, projects usually run smoother if cooperating with other MNCs compared to pure Indian companies (E). It therefore becomes difficult to satisfy customer demands since requiring a lead-time of ten days while the order to delivery might exceed that by months.

*"There is neither guarantees nor predictability and unless knowing the local culture, including local customer and supplier behavior, it is hard to implement your policies and strategies. You need to take lot of cautions when planning and it can amplify inefficiencies sometimes"* (E).

#### 4.4.4 POLITICAL AND ECONOMICAL ISSUES

A major challenge in India was related to the ambiguity of government wants, which made it complex to form strategies and planning accordingly. Several interviewees mentioned that the political agenda was not in favor of doing business in India due to the opposed contents between SMNCs and the government. The government was assessed to be focusing more on poverty and the reduction of diseases while businesses to a larger extent aimed to create shareholder value. A business within infrastructure was stated to be dependent of new projects as for instance new mines or railways. The central government has unfortunately not managed to unplug bottlenecks to create new projects as for instance access to land, natural resources or pollution clearances and hence constraining company growth (ICT and manufacturing companies). A potential turnaround regarding the bottlenecks was however dedicated to the upcoming election and a potential replacement of the politicians to consequently kick-start the economy through unlocking for instance land (E within manufacturing). The Indian market is further dynamic, unpredictable and rapidly growing. In predictable markets it is possible to assess where revenues will stem from but that is not the case in India to the same extent (E). Furthermore, the economy was also explicated to continue to be fluctuating with the trend of shorter and shorter cycles (HiPo).

#### 4.5 MARKET CHALLENGES IN 5-10 YEARS

The future market challenges was revealed to be a need of innovativeness, cutting costs and create stability in the supply chain. In a position as market leaders, some SMNCs communicated a challenge and need to continuously innovate since competitors imitated certain solutions with incremental modifications. The number of competitors was also assessed to increase due to market changes and an increasingly open market (E). A company explained to face 20 competitors only in the same city and foreign competitors had further started to establish engineering and R&D centers close to the market (E). The increased competition had turned customers to become more demanding which stressed the need of being agile to meet customer demands (E). The need of agility finally founds a subsequent need to develop, produce and deliver appropriate products fast to maintain market share.

Another interviewee further argued that current challenges will remain but in an amplified manner and more companies will start to realize the value of quality (E). Although the consciousness about quality

would increase, there will exist a parallel need of cutting cost while increasing efficiency. An investigated company claimed to produce 30% of a product domestically in India, but “we need to stay ahead of the competitors to remain competitive by having lower costs by producing here in India” (HiPo). The final future concern regarded the creation of partnerships with suppliers to ensure a strong base to meet the increasing demand from customers regarding cost, quality and delivery precision. Table 4 below finally state to most probable and frequently addressed future challenges according to the interviewees.

Future challenges in India
Innovativeness - need of being agile and quick to meet customer demands
Amplified competition and new competitors
Increased awareness for quality
Cutting costs simultaneously as improving quality
Create stability in the supply chain
Same as current challenges but in an amplified manner

Table 4. Future challenges in India according to interviewees

#### 4.6 CORPORATE GOVERNANCE IN SMNCs

It was discovered that SMNCs tended to apply varying levels of corporate governance that consequently affected the organizations to a varying extent. The following sections will therefore depict some of the most frequently occurring constellations for both SMNCs and their competitors. Governance models ranged from rigid corporate structures to autonomous profit and loss (P&L) accounts.

##### 4.6.1 RIGID CORPORATE GOVERNANCE

A vast level of corporate governance and control does inevitably constitute multiple advantages as for instance corporate control and the ability to leverage already existing capabilities. SMNCs did often have corporate decision centers outside India, which sometimes made employees doubtful about a company’s business. Several interviewees perceived the cause of this issue as a low understanding from corporate about the local needs due to geographical and cultural distances (E and HiPos). The motto “one size fits all” has its limitations in relation to a complex market as India, deemed to need a specific strategy (E and HiPo). Strict corporate control was also addressed to be negative due to reduced synergies between divisions. A SMNC within manufacturing stated a willingness to offer combined solutions, requiring utilization of multiple products to form a more attractive alternative to customers. However, the manufacturing company seemed to lack the ability to align product offerings which involved several divisions. Divisions individually added a predefined margin in favor of divisional balance sheets since divisions had margin targets to meet, even when selling to internal customers. The consequence of the margins finally ended up in a less price competitive product.

Another company faced issues with expanding the business even though that a majority of internal current executives highlighted the need. Restrictions in headcount from the head office had occasionally went so far that current executives found it hopeless to even ask for additional human resources. This since it would require a copious amount of argumentation to bypass the hurdles as result of budgets and financial systems based on European markets. “Corporate in Europe are controlling cost and headcount for instance here in India, based on the declining trend globally, however this is in contradiction in need of maximize shareholder value in India” (E). Paradoxically, local employees simultaneously saw the need of recruiting young talented as the war for talent was

fiercely ongoing. When not having the mandate to recruit, the risk increased to lose the war already in advance. Executives narrated an increasing trend of companies growing globally in size focusing more on standardization and core business. However, core in Europe might imply missed business opportunities in India and certain segments of the markets. If pursuing the philosophy of one size fits all, the portfolio was argued to only cover top segment of the market corresponding to the average buyer in Europe. What was done last year has to be different today as a result of the rapid evolution on the emerging market: *“MNCs need to come up with products to fit the requirements to that market, to manage this you should be kept to have that freedom”* (E).

#### 4.6.2 BEING AUTONOMOUS

Pursuing strict corporate governance might favor structure and the ability to control from a global perspective but at the expense of local flexibility and opportunities. Numerous narrated stories depicted minor local players as highly competitive in their respective market segment, which to a large extent stemmed from their ability to act and react autonomously. Compared to being strictly controlled from headquarters, an autonomous P&L account offer more local flexibility through an own annual budget, operating plan and the mandate to operate independently without a need to argue in favor of taken actions (CFO). The same argument is however contested by opposed perceptions by interviewees since being too autonomous might create sub-optimizations at a global level.

One company stated to be relatively free in the daily work regarding design, marketing and technology, which were managed in India. The corporate office was however involved in the sense of securing an overall goal of quality of solutions (E). Interestingly, quantifiable data was narrated during one of the interviews when elaborating around the benefits of local empowerment. Previous interviews had revealed that locally present players as Suzuki (not included in the study) had managed to reach a 50% market share, partly through their local knowledge and ability to tailor locally suitable value propositions. The same share was later argued by a CFO to prevail at one of the investigated companies: *“one of the sectors in our business has a 50% market share, why? Since the decision making from 10 years back was local and in the other areas the decision making was not that local”*. It was further stated by the same CFO that products designed in India for India had significantly higher margins compared to entities, actually 30-40% higher. It might be perceived as a simple task to transform from being governed from a corporate office to become locally autonomous. But a transformation would consequently force local employees to change mindset from being direction and implementations oriented to first take a decision and then also implement according to it. It was furthermore stated as equally difficult for the company to lose control of the business through increased levels of local autonomy. The same CFO finally summarized the implications of autonomy:

*“It is a very different mindset you need as a manager but that is the challenge and the fun part. If just taking instructions and deliver them you can get robots and you do not need managers that is a true test of leadership you design, stumble through it and learn from it”*.

#### 4.6.3 TREND TOWARDS MORE AUTONOMY

GE admitted mistakes made previously when pursuing *“a one size shoe fits all kind of approach to leadership”* (E). What the chairman at GE at one point in time realized was that new markets and particularly emerging markets had different business dynamics. Doing business in a highly regulated, mature and stable judicial economic system will naturally operate in a particular way. Decisions in India are probably more prevalent country wise than in other parts of the world for the entire GE group. But the philosophy emphasized what is giving profit in India can be taken all over the world. Every product that GE designed in India for India had significantly higher margins than products designed outside India for India. *“The trend is however very positive and the potential is there .... We*

*can also translate that to the rest of the world” (E). GE stated that every market wants quality products to affordable prices, creating the possibility to test products on the Indian market as an incubator to the possibilities in the rest of the world. GE has historically been less autonomous due to strict governance from US, which however has changed during the last five years. Today GE has managed to establish a reporting structure that aggregates to one country manager in India who then reports to corporate in US. The next level of autonomy would be to get treated like a P&L account with an annual budget, operating plan and “drive it on your own and nobody should ask any questions” (E).*

A major challenge for GE was to make the transformation of decision power and to get people with the right philosophy (E). One part of the issue concerned corporate willingness to become less influential. Another part concerned the difficulty for the organization to suddenly become autonomous when capabilities for decision-making and planning had to be developed. Leaders therefore need a different mindset due to the sudden need of not only implementing decision but also setting the direction. *“If just taking instructions and deliver them you can get robots and you don't need managers. That is a true test of leadership, you design, stumble and learn from it” (CFO).* The transition of moving the decision power to India was initiated by first moving several expatriates to India due to the complexity to change people during a short period of time. Changes were then made gradually in India to finally become managed by an Indian leadership team. The CEO was hired locally from an Indian conglomerate to make the final transformation to get local knowledge of the market and culture. The desired state of the ration between expatriates and local recruitment of managers were stated to be 80/20 of expatriates and local managers (E). True local companies are breaking the 80/20 barrier because local managers and employees understand fundamentally how to local market look and behaves and should therefore ideally be leading the company (CFO).

#### 4.6.4 MOVING CENTER OF DECISION TO INDIA

An executive within manufacturing emphasized the potential future need of moving European decision centers closer to the market as a result of shrinking business activity and limited supply of human resources. The reasoning was further strengthened when revealing an intended reduction of future investments regarding manufacturing and development in Europe. The development side still involved plenty of activity in Europe but the outlook indicated on a continuous move towards the growing market in India and Asia. The limited amount of people in Europe negatively affects the supply of talented people to run the business as opposed to India with no shortage of resources. Another reason was argued to be the price since it is still possible to employ four persons for the price of one compared to Europe that thus makes it possible to reach above a critical mass of people to run a business. If investing more in product development in Asia and if research moves to where the market is, the central decision centers are likely to move as well. The trend in a SMNC was already that some divisional HQs were moved to Shanghai and with further plans to establish an additional office in India.

Europe did previously sign up 50% of the market but soon the power balance will be moved to India and China as the number one and two markets. A SMNC CFO addressed that it is unlikely that Europe and USA will remain immense on the market: *“As far as you continue to innovate technology you keep being relevant but when losing momentum you start losing relevance”* Indian talents are furthermore starting to be present in major MNCs and Chinese companies who are starting to acquire western companies and integrating their executive leadership into it. Today the vast majority of all presidents within an investigated SMNC are from a western origin, but an interviewee stated to not be surprised if a redistribution of presidents would take place in favor of Asians, which then could have a further influence on the location of the decision centers in the long run.

*“I would not send my son to Harvard to pursue an MBA. I would send him to China or India because even how good the Americans can explain how it works in China or India, it is till their perception of how it works. It is still different to reality” (E).*

## 5 ANALYSIS - DEVELOPING THE FUTURE STRATEGY FOR SMNCs TO SUCCEED IN INDIA

The empirical part in this paper has been investigating the current state in terms of perceptual differences between current executives and future high potential leaders regarding leadership, current and future challenges but also the strategies that companies are pursuing or aiming to pursue to stay competitive in the future. Consequently, a vast amount of information was obtained through 52 interviews when interviewees narrated personal experiences related to each area of concern. The majority of interviewees did although struggle to elaborate about future needs of leadership and the future challenges 5-10 years down the line. A natural question thus arose about why did people not know more about the future outlook about leadership requirements, challenges or strategic needs? Individual opinions might not depict an overwhelmingly clear picture of the future but the collective views does although indicate on a number of trends which probably will affect the way of running a business in the future. This chapter therefore aims to discuss and elaborate about a possible future outlook regarding organizational needs and the implications it might have on the future strategy at SMNCs.

When interviewees narrated personal experiences and opinions, a number of considerations arose. One of the most interesting observation concerned the opposed views between Western and Indian people related to business opportunities. Indian interviewees repeatedly emphasized the importance of being opportunistic and simultaneously disfavored a cost focus. Opportunism in this case could be defined as perceiving challenges as opportunities and favor growth rather than focusing on cost to reach business success. An opportunistic mindset was perceived as partly absent at the investigated SMNCs and especially at more executive levels where interviewees often highlighted the importance of sustainability and matureness. Sustainability and matureness often referred to the need of possessing a conservative plan without high risks combined with the need of extensive knowledge prior taking decisions. The mindset did interestingly exist in parallel with HiPos’ predominant mindset of seeking challenges, increasing speed in decision making and to play on higher bets. A majority of interviewees also explained that locally successful companies frequently conducted business in a less governed manner. Locally successful companies also had an opportunistic mindset with shorter decision loops and with a willingness to take risks to succeed on the competitive Indian market. It could consequently be argued that SMNCs could benefit from adapting a part of the local mindset rather than being constrained by the western mindsets to possibly sign larger market shares to deliver more value to various stakeholders.

Narrated opinions about organizational needs have consequently resulted in a number of subjects to address for SMNCs to reach future success. Figure 8 below illustrates an alternative on the proceeding from creating a global strategy, local strategy creation to finally stem in local strategy deployment.



Figure 8. Framework illustrating how a global strategy could be deployed locally

Viewing the model above, the global strategy creation naturally becomes the initial area of concern since affecting the entire chain of decisions until local strategy deployment. Chapter 5.1 below aims to address some of the more prevailing concerns based on interviewees recurring emphasize on SMNCs’ current lack of local knowledge cultural transformations and governance needs.

### 5.1 LOCAL KNOWLEDGE TO CREATE FUTURE STRATEGY

Even though SMNCs are present in India they often seemed to underuse the possibility to utilize local information to formulate a cutting edge global strategy and value proposition. People were often aware of market challenges and cultural evolution but yet managed to not inculcate the vast amount of information to corporate levels and the strategy creation. A majority of interviewees further expressed a need of developing a more opportunistic mindset and to rather exploit more adapted value propositions. There is further a concurrent growing middle class that is expected to influence the business landscape. It could therefore be argued that SMNCs currently has not reached their full potential and that they probably could excel into a more competitive position if utilizing existing information. Based on empirical information, figure 9 below illustrates market challenges and the Indian culture as the identified sources of information to utilize more extensively to develop an opportunistic mindset and future strategies.

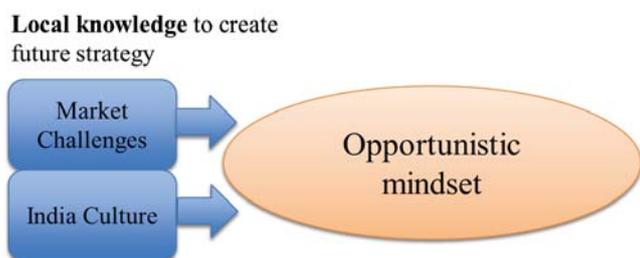


Figure 9. Local knowledge as a foundation for an opportunistic strategy

Due to the importance for SMNCs to possess local knowledge to create future strategies, the following sections will discuss ongoing trends related to market challenges and cultural transformations respectively.

### 5.1.1 MARKET CHALLENGES

India is currently facing increased levels of competition when foreign investors are establishing facilities in a rapid phase. Foreign investors are further competing against local players who often have adapted solutions to satisfy local customer needs in niched market segments. Focusing more on benchmarking of leading competitors might prevail as intuitive but it was discovered that SMNCs tended to misuse information about competitors and rather continue with a habitual of relying on already existing processes and procedures. SMNCs need to acknowledge the amplified competition as a mean to excel in operational speed and to see opportunities rather than constraints. Relying on strategy based on sustainability and cost reduction was according to interviewees not particularly effective from a competitive point of view. Except a need of an opportunistic mindset, SMNCs naturally need to pay more attention to the upcoming 5-10 challenges in order to form a successful future strategy. As discussed in the empirical part, interviewees staggered when elaborating about upcoming challenges. The most frequently discussed challenges are yet presented in table 4 above.

It could be argued that if improving the external view of market challenges and future needs, the probability increases that SMNCs are able to develop more adapted products to increase the turnover. Except the stated challenges above, there was also an expressed increasing demand of services with a switch of focus from product offerings towards packet solutions. A packaged solution was described as a combination of a physical product combined with a service as for instance support to maintain the physical product and its performance. These trends strengthen the constant need of possessing an updated external view to stay agile and to be aware of market trends in order to offer suitable value propositions.

#### **Government and political concerns**

The majority of all investigated SMNCs were discovered to experience political obstacles since frequently pursuing a business path, which collided with political agendas. Naturally, the majority of interviewees further deemed the collision as an obstacle due to the complexity of running a business. It could however be argued to be an opportunity to include the political agenda the global strategy creation process to decrease the risk of meeting obstacles in the daily work. A minority of the investigated SMNCs had managed to align organizational goals with the political agenda. But one company within manufacturing had though formed a value proposition to meet agricultural needs, thus aligning with goal number one about poverty and hunger. Another aspect that SMNCs currently underplayed was the possibility to create political connections through increased focus on CSR to decrease the risk of crossing the path of political priorities. Hence, an opportunistic strategy would therefore utilize political agendas to form value propositions in line with political concerns. The Indian government has further expressed eight development goals as the most important concerns to address until 2015 illustrated in table 1 in chapter 2.

The Indian national congress party (INC) was interestingly replaced with the BJP party when all votes had been counted after the national election in May 2014. The majority of interviewees had in prior of the election communicated a high level of opportunism about BJP's chances to surpass INC and that the replacement would probably speed up the economy due to different priorities. One of the most promising differences in priorities was expressed as related to land and natural resources.

### 5.1.2 THE ONGOING CULTURAL TRANSFORMATION

The second trend to acknowledge was assessed as the ongoing cultural transformation in the Indian society. It was perceived that SMNCs tended to avoid and mitigate the ongoing cultural transformation, rather than utilizing it to create an opportunistic global strategy. The following section

thus aims to address the more prevailing cultural phenomena in order to create awareness at SMNCs' global levels.

### SMNCs' tendency to mitigate cultural phenomenon

A vast percentage of investigated companies had a major focus on inculcating the Western mindset into the Indian subsidiaries to develop structured and sustainable processes. It is of course vital to restrict parts of the Indians tendency to overplay an ad hoc mindset of doing business through Jugaad. But mitigation can simultaneously negatively influence the opportunistic mindset that seemed to be a prerequisite to stay competitive in the future. This since some of the interviewees occasionally perceived to be constrained by SMNCs' corporate values due to the constant focus on sustainability. Indians often stated a too high focus on sustainability as delimiting business opportunities.

The interesting part with the Indian culture of opportunism was however perceived to serve as an opportunity for SMNCs to transform the wait and see mindset into a more opportunistic. It does assumingly involve an increased risk of taking unconscious decisions but the benefits of utilizing opportunities would probably offset some of the risks.

Hence, by combining Indians deeply rooted mindset of Jugaad with the western sustainable and cost saving mindset could potentially create interesting synergy effects. Synergy effects would even more likely occur if not constraining Indians too extensively though company values as expressed by the interviewees. Examples of positive effects were argued to be increased market opportunities and more satisfied customers at local levels. Figure 10 below illustrates how synergies could be reached theoretically by utilizing the Indian Jugaad with SMNCs' focus on sustainability to reach synergies.

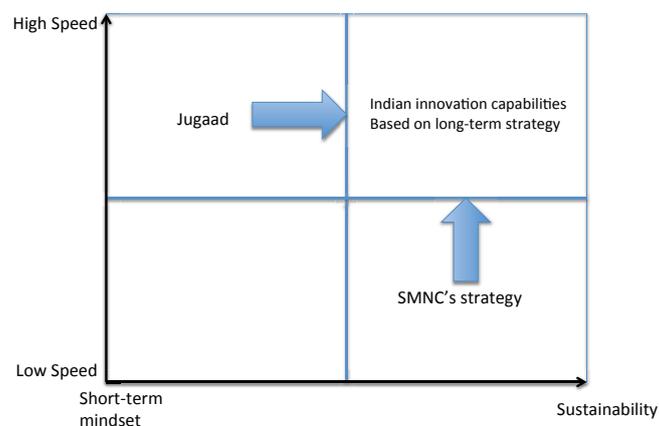


Figure 10. Illustrating the trade-off between risk taking and sustainability

### Generational differences between speed and risk

The need for speed was perceived as another cultural phenomenon facing a current transformation. Rapidly evolving markets requires an additional focus on being innovative to manage fluctuating customer demands and competition (Simon, 1993). This forces Indian companies to be experimental, risk taking and providing innovations outside the box. If not being flexible and fast, competitors are likely to surpass (Radjou et. al., 2012). As stated in the empirical part, current executives and HiPos at SMNCs seemed to share the opinion that the ability to move fast with courage to take risks served of significant importance to reach success on the Indian market. However, interviewed HiPos emphasized the importance in an amplified manner where the lion's share further possessed an opportunistic and risk taking mindset. An opportunistic mindset was furthermore assessed to be a common element for high performing companies and minor local players in India. These companies rather perceived constraints as opportunities to leverage. Forefront competitors were additionally

perceived as quicker in making decisions compared to SMNCs, which highlights the future importance of speed (HiPo). “We need to take much more risks since we are never taking risks. We need to catch up with this young force to deliver in this tough market” (HiPo). An important remark related to speed and risk was however that speed cannot exclude the consciousness of risk and hence a need of balance is required.

HiPos’ eagerness for personal development and speed did however occasionally constitute an opposed view compared to current executives. Executives rather found the need of sustainability as more important to mature in order to be prepared for an executive role. Although interviewees frequently argued that the Indian philosophy of Jugaad had diminished within SMNCs. However, it was perceived that Jugaad was needed for speed and courage to take risks to stay competitive on the market (Radjou et al., 2012).

### **Neglecting the diminishing caste system and HiPos’ willingness to succeed**

It could be argued that the caste system in India evolves towards becoming less prevailing to allow both up and downward mobility, which corresponds to both empirical findings and existing literature (Chhokar, 2002; Vaid, 2012, Zwart, 2000). It is further stated that the caste system was more present in the rural areas than in the urban ones, where people from low castes today not seldom are more affluent compared to neighbors from higher castes (Khanna, 2013). However, farmers frequently move to urban areas to study and later work, creating an upward dynamic social growth (figure 11 below) or as an executives quoted it: “India has turned farmers into consultants” during the past 5-10 years.

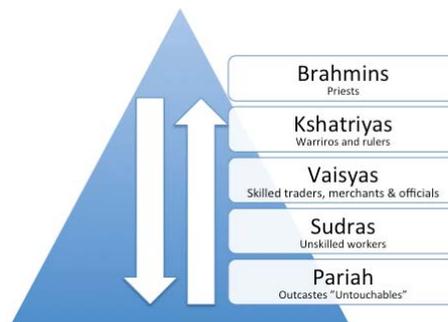


Figure 11. The different castes in India

Another observed cultural change was the distinction between caste and class where the latter historically has followed suit of a particular caste. Today, the lines between the two are starting to diminish due to education, industrialization and urbanization (Wilson, 2003). This has offered new ways for Indians of lower castes to excel through upward mobility that probably has turned people to become more individualistic compared to before. Consequently, India is facing a major economic transformation where possibilities has influenced Indian HiPos to become strongly career driven. SMNCs did not yet seem to utilize the younger generations strong strive for success both professionally and socially to improve both strategy creation and deployment. The observed trend of a diminishing caste system and a more liberalized economy has thus opened up a highway towards a better future for the younger generation. This was impossible for predecessors if not being grown up in the right societal segment. As mentioned, employees with a strong ambition to work hard and climb were argued to be underutilized where one reason was expressed to be relatable to constraints by corporate values and procedures. SMNCs’ values did on the one hand encourage local freedom with accountability but it could yet be argued that the SMNCs’ corporate mindsets differed through a focus on cost and headcount. It could therefore be argued that the corporate mindset within SMNCs

constrained local development in India since neglecting the cultural phenomena and HiPos' willingness to succeed.

5.1.3 INSIGHTS FROM EMERGING MARKETS TO DEVELOP OPPORTUNISTIC MINDSET

As mentioned, interviewees at SMNCs did frequently portray a picture of local understanding but information did paradoxically not seem to be utilized in the creation of a global strategy. There is a need to formulate SMNCs' overarching strategies based on local information. This to avoid the tendency of relying on deeply held assumptions about Western value propositions as appropriate even in an Indian context. Decision makers at global levels need to experience and observe local Indian conditions to develop a deeper understanding of the situation rather than neglecting local market input. SMNCs also need to consider a revise of the Western assumptions in favor of inculcating the needs from local customers as the Indian market was assessed to offer plenty of opportunities. Venkatesan (2013) further argue that India is probably the last emerging market undergoing a transformation towards becoming a mature market. But if relying on the Western mindset about offering premium products designed for mature markets in emerging markets the probability of failing increases (Prahalad, 2009). As highlighted by Venkatesan (2013), the Indian socio-economic pyramid is unevenly dispersed between several market segments where only the top segments might fit the majority of SMNCs' current value propositions. There is further a concurrent growing middle class which is expected to influence the business landscape since expected to continuously grow as a market share towards 2030 as seen in figure 12 below.



Figure 12. The expected growth of the Indian middle-class

Source: The emerging middle class in developing countries, Homi Kharas, OECD Development centre, 2013

An alternative would therefore be to revise the Western mindset as mentioned to enable a penetration of larger market segments by offering suitable value propositions to utilize opportunities more. Figure 13 below finally illustrates how local knowledge can be utilized at a global level to create understanding about local contexts. The local knowledge can then be used when creating the global strategy and deciding upon appropriate levels of corporate governance.

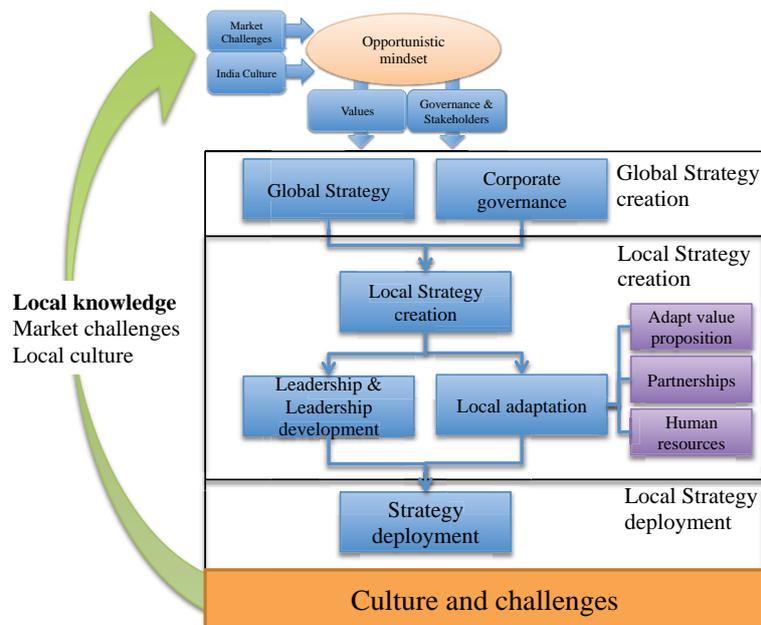


Figure 13. Illustration of how local knowledge can be utilized on a global level

## 5.2 APPROPRIATE LEVEL OF CORPORATE GOVERNANCE

Several companies have according to interviewees struggled to achieve a suitable balance between the two extremes of governance, ranging between total corporate governance and autonomous P&L accounts. The imbalance has consequently negatively impacted the ability to deliver an adapted value proposition, establish proper partnerships and also to create a rapid decision making process locally. Due to the emphasized need to establish a balance between the two extremes of governance, this chapter will discuss advantages and disadvantages of both alternatives. However, being either autonomous or controlled is probably impossible to generalize between different industries since adaptation to specific circumstances is required: *“The right answer is somewhere in between, you cannot not just run on you own. It is important that we connect to the global organization to think more locally, but deliver global goals”* (CFO).

### 5.2.1 STRICT GOVERNANCE

Strict corporate governance appeared to support the possibility to control the business, align technologies to reach organizational synergies and also a decreased need to change local peoples’ mindsets. Mindset would otherwise need to change from being executors to become strategy initiators to later also execute the strategy which otherwise cascades from corporate levels. Disadvantages were partly contradictory since interviewees were blaming corporate governance to create a lack of alignment between divisions globally. This since SMNCs occasionally tended to apply margins within processes at local levels. It was perceived that the margins made departments perceive other departments as detached which resulted in expensive value propositions compared to local competitors. Slow decision-making processes and constraints were however expressed as disadvantages due to strict control and extensive cost focus through headcount. Indians are proud about being adaptive and fast in the rapid changing landscape but incorporating practices from SMNCs can be demanding when mitigating Indian innovativeness through rigid structures and processes (Messner, 2012).

### 5.2.2 AUTONOMY

The fact that SMNCs seemed to apply a mature market mindset in a developing market sheds light on an interesting area based empirical information. SMNCs tended to rely on a cost reduction strategy while locally successful organizations emphasized growth. As an effect of discussed challenges and cultural phenomena, it can concurrently be assumed that India’s market conditions serve as a mean to also reassess currently held assumptions about how to run a business. It was however narrated that being autonomous as a company did not automatically imply organizational success. Interviewees expressed constraints related to company losses due to sub-optimized solutions for the Indian market, decreased levels of control from a corporate perspective and the need of educating people. Education was argued as vital in order to make people comprehend the appropriate mindset to successfully lead a business and wean from a more execution based habitual (E).

Advantages did however tend to be depicted in a favoring manner with praises of reaching both higher market shares and profit margins. This due to local speed in decisions making, deeper local knowledge to form appropriate value propositions and with more focus on risk taking. Thus, the ability to adapt to external fluctuations turned out to be crucial with the simultaneous need of a more rapid decision making process. Simon (1993) argues that companies in Asia historically has been fast in taking ideas to the market and therefore has been able to enjoy global advantages. Another advantage of being autonomous could be connected with HiPos’ willingness to take risks. This since it could be argued that Indians would receive more opportunities to take risks if being less governed. Being autonomous was further perceived as a positive aspect from a social perspective due to status. Furthermore, it probably exist numerous additional arguments regarding advantages and disadvantages of being strictly governed or autonomous in a local context. But the awareness of the sliding scale between the two extremes was yet considered to constitute a major area of importance to comprehend in order to succeed as a SMNC in India. Table 5 below depicts the pros and cons of both autonomy and strict control.

Autonomous	Strict control
Speed and high risk	Slow and low risk
Adaptation	Controlled
Local innovations	Global synergies in R&D
Flexible	Constrained
Plan & do – Educational needs	Do – pursue global strategies

Table 5. Pros and cons of autonomy and strict control

Finally, once agreeing on an appropriate level of corporate governance the next step is to form a local strategy to deploy.

### 5.3 LOCAL STRATEGY CREATION

Chapter 5.3 aims to depict the need of aligning a SMNC’s global strategy with the existing level of corporate governance to form a local strategy. India as an emerging market requires distinction in terms of business models to reach business success. This since strategies and business models for mature markets only serve the minority of affluent customers (London and Hart, 2004). Hence, in order to be successful in emerging markets, SMNCs need to build suitable business models and innovative strategies aligned with the characteristics of the market (Krishnan et al., 2011). Based on empirical information, figure 14 below proposes an approach to apply in order to reach business success through creating a local strategy divided twofold: Local adaptation and leadership & leadership development.



Figure 14. Approaches of local strategy creation

Local adaptation is further divided into three subcomponents: adapt value proposition, partnerships and human resources. Leadership was considered by interviewees as the driver to deploy the strategy effectively by understanding the local culture and challenges (Kotter, 1999). Both local adaptation and leadership will be described in the subsequent sections.

### 5.3.1 LOCAL ADAPTATION

As indicated in the previous chapter about possessing an appropriate level of corporate governance, forefront organizations in India did either seem to currently pursue a autonomous local strategy or striving towards more autonomy. It has been stated during interviews that autonomous companies are more likely to form a locally adapted value proposition. They were also stated to be more likely to form vital partnerships with stakeholders (London & Hart, 2004). Another concern discovered during the study was that Western companies including SMNCs, occasionally relied on solutions already applied successfully in mature markets. In other cases, interviewees narrated that companies who only applied a reduction of features were deemed to fail in the Indian market. By pursuing such an approach, the probability to become outperformed by local players increased extensively since failing to deliver according to customer expectations. The consecutive subchapters will address local concerns for SMNCs to increase the probability to reach business performance by avoiding commonly made mistakes.

#### **Adapting the value proposition to Indian market needs**

Future success requires a constant review of competitors to react quickly enough to retain a market leading position. Customers' desires are nowadays increasingly dynamic, making the need for adaption higher including locally adapted products. This since western portfolios inconsistently fulfills Indian customers' needs. An example concerned the perceptual differences of quality where Western myopia often instinctively assumed that the best quality is the only quality to deliver. However, the assumption often prevailed to miss local: *"we don't want this quality, we want 70% lower performance but for a lower price"* (Hipo).

Another narration emphasized Volkswagen (not included in the study) who had managed to develop a locally adapted version of the Polo model priced 50% lower compared to the European model. This was enabled through an extensive reduction of features, materials and processes. The car did not pass the safety test from a European point of view, just like India's currently most sold car, the Suzuki Maruti Alto 800. The entry model of Volkswagen the Polo was narrated to possess a fruitful future in

terms of sales. However when the results were revealed from the safety test, Volkswagen decided to withdraw the model. The Polo was withdrawn due to substandard levels in safety, in European terms.

It is naturally not acceptable to neglect safety, but it is still worth to depict the perceptual differences between Europe and India in general regarding safety. Imagine a family of four, driving around all together on a motorbike during rush hour. How safe is that compared to be sitting in an entry level car which did not pass a European safety test? The vast majority of Indians are highly price sensitive and does not afford to invest in almost any car. Volkswagen did withdraw the Polo and decided to improve the model to later re-launch it on the Indian market. The problem of safety was solved but a new problem had occurred instead. The Polo had become too expensive for the Indian entry segment and consequently the Polo dropped dramatically in sales.

Consequently, SMNCs are required to adapt value propositions in order to increase sales, especially now when the Indian middle class is expected to grow rapidly in the near future (Kharas, 2013). Local superior competitors were deemed by executives and HiPos to possess the ability to consistently deliver according to local customer demands. As argued earlier, SMNCs need to obtain comprehensive information about the local market through local presence to leverage global capabilities. This to finally offer adapted and distinguishing products, suiting the needs of the local market. *“If you stick to standardization, you lose the segment”* (E).

### **Improve value proposition beyond the tangible product to differentiate**

Except aiming to leverage on both local and global capabilities, it further exist a trend to move from a product to a service orientation. SMNCs were frequently assessed by interviewees to be slow moving and incapable to keep up with fast moving low cost players. Huawei (not included in the study) was expressed to be an example of a low cost player selling a similar product cheaper with a slightly lower quality, but still according to Indian market expectations: *“If you have two options in front of you, the Indian market goes for the cheaper one.”* (HiPo within ICT). A subsequent question related how to manage these low cost players who offers lower quality? Four main alternatives were revealed based on interviews. Branding turned out to be distinguishing factor to win orders. This since SMNCs with a long-term presence often had developed a reputation as high quality providers (HiPo). Another argument emphasized the need to educate customers about features and how to use a product to distinguish from competitors. This was argued to deliver additional customer value, which also is acknowledged by Anderson & Markides (2007). A third approach argued about the need to avoid segments where deals often are signed the party offering the lowest price. The perhaps most interesting and promising approach to distinguish from competitors was however through packaged solutions. Several companies acknowledged the need of collaboration between functions to provide a packaged solution by combining several products to the same project, creating uniqueness and customized solutions to succeed. *“Customers are looking for end to end offerings and our customers are not small players, they want that the supplier takes the responsibility of the total project to reduce their own effort”* (E). Packaged solutions does therefore seem to offer a opportunity for SMNCs in India since having the access to global technology combined with various practices internally. A combination of solutions is further assumed to be impossible for the majority of low cost competitors due to their limitations in size.

### **Partnerships with Stakeholders**

The second prerequisite in figure 14 stresses the need of building partnerships with stakeholders as suggested interviewees and London & Hurt (2004). Prahalad (2009) emphasized that companies need to form new partnerships both up and downstream in the value chain. Both suppliers and distributors

also needs to be equipped with education and technology. By striving towards partnerships with stakeholders, SMNCs could simultaneously gain local knowledge and understanding when increasing the level of collaboration.

An increased emphasis on deeper customer and supplier relations through partnerships is currently ongoing among some SMNCs to meet evolving customer demands regarding cost, quality and delivery precision. One example concerned a SMNC within manufacturing, aiming to develop a more dependable supply chain through deeper relations with suppliers by giving them support in how to improve their suppliers. Initiatives had further been implemented in the opposite part of the supply chain as well to enable distributors to deliver products in time to ultimately deliver higher end-customer value.

A deep level of stakeholder partnership can additionally be created through joint ventures (JV) where two companies cooperate to utilize strengths and weaknesses to jointly offer an improved value proposition. It was expressed as complex for a company to change mindset and that it actually might require 15 years before transforming a mindset from being a premium brand to become low cost oriented. By utilizing the possibility of JVs, companies can speed up the transformation by leveraging an already existing mindset and local knowledge by merging the two organizations. In a JV, quantifying the value of each party's contribution to later share the profit was deemed to fail by an interviewee with plenty of experience within JVs. A successful JV should rather focus on growth and should hence be dedicated most time according to the same interviewee. Table 6 below illustrates how a JV can complement and leverage two different company traits.

SMNC	Local company
Premium brand, Global technology capabilities	Low cost mindset, supply networks, local knowledge



Table 6. Example on how the traits of a SMNC and a local company can be complemented in a JV.

However, it is not an easy task to find a suitable JV partner and simply start pushing out adapted products to the market. An executive interviewee argued that there is a need to ensure a mutually beneficial collaboration to reach synergies and that it simultaneously can be complex to find a suitable collaborator who also is willing to collaborate. But several interviewees yet argued that collaboration between two parties could reach exceptional results if combining each other's skills in a creative and synergetic manner.

**Aligning strategy to governmental agenda**

Several SMNCs expressed a constraint related to governmental initiatives and prioritizations. Only one SMNC emphasized the difference between the political agenda and common organizational goals. Interviewees at the SMNC referred to the governmental goals and stated that agriculture was one important pillar for India and consequently implied subsidizations. The observation could subsequently be utilized by more SMNCs. The government could gain deeper insight of the company and its value propositions and the SMNC could concurrently receive information to acknowledge how to support the governmental goals through adaption of products. Mines and energy resources were further argued to be owned by the government to a large extent, making them an important potential future partner. As stated previously, business related concerns are not addressed prior goal number eight on the political agenda in India. Therefore, to leverage the governmental agenda for increased business performance, products should if not direct at least indirect support infrastructure, agriculture and healthcare.

### **Ensure access to human resources locally**

One of the most frequently occurring issues within SMNCs was referred to the continuous need of ensuring access to human resources and in particular top talents. The problem partly derived from the younger employees increasing tendency to do whatever required to climb the career ladder.

Interviewees, particularly within the ICT industry, argued that one emerging trend was the transition towards more services and less tangible products. The business will thus be more around people, forcing companies to acknowledge the need to develop their employees. One SMNC had started the transformation by implementing strategic objectives within human resources. An example of a strategic objective was to employ in time in order to cover upcoming market demands.

All interviewed Indian HR directors stated that investments in employees made them stay longer and less likely to move to other firms. The HR directors did further argue that retaining employees are more economical than replacing due to referable costs of termination and replacement. Additional costs were referred to lost revenues and productivity decreases deriving from lost networks and knowledge, which also correlate with Rothwell (2005). As with the benefits of building partnerships through CSR activities with the government, CSR can further be utilized to improve employer branding (Grow et al., 2005). SMNCs often stated to be present at universities to communicate a picture of an attractive employer. An executive expressed: *“Investments that people receive in terms of training and development helps, but it does not help completely”*.

Another trend in India involve an increasing number of graduates from top universities who either strived to sign a high status job domestically or to go abroad to gain international experience (E). A perception evolved that different industrial sectors seemed to face varying levels of difficulties to employ talented people. Several interviewees argued that the IT sector commonly attracted more highly educated people compared to pure manufacturing industries. Consequently, there might still exist validity in the argument by Beechler & Woodward (2012) about a prevailing war for talent but to a varying extent between industries.

### **Input to leverage on local capabilities**

In addition to local presence, it further exist a need to successfully integrate and utilize global capabilities in an Indian context. Some of the investigated companies expressed an ongoing strategy of utilizing global knowledge and technology to adapt already existing global capabilities to the local context. Giving the companies technological advantages against local players and hence blocked a part of the competition. SMNCs aiming to rely exclusively on existing technology used in mature markets were deemed to fail according to interviewees. Interviewees rather argued about the need differentiate through redesigned products and challenge existing manufacturing processes. The arguments further agreed by Gudlavalleti et al. (2013).

To be able to meet the price sensitive markets, interviewees argued that SMNCs have to cut costs with 90% through reinventing new processes. This further aligns with the needs for MNCs suggested by Prahalad (2009). An executive argued that costs could only be suppressed with 15% without doing major changes to the product and processes further emphasized the need of redesigning current processes. In relation to cost, one SMNC was facing the trend of competitors with prices that could be three times lower in the competition for orders.

It could be argued that prices could be reduced by using local capabilities more combined with a reduction of product characteristics compared to offer solutions based on expensive technology for Western markets. It is further possible to do the opposite by using India as a foundation to leverage domestically developed technologies globally. Interviewees at GE argued that India served as a

beneficial environment to develop products that later could suit additional needs located elsewhere in similar business environments.

Thus, SMNCs are advised to consider a leverage of Indian R&D globally to increase competitiveness by providing low cost products. This since the ongoing competition arguably favors low cost solution also in some of the Western customer segments. This would probably enable a two-way exchange through a combination of global capabilities and a local insight about trends and market segments. The green arrow in figure 15 below illustrates how knowledge could be utilized in both global and local strategy creation based on local knowledge and global capabilities.



Figure 15. Utilizing both local and global knowledge

5.3.2 STRATEGIC LEADERSHIP DEVELOPMENT

The vast majority of interviewees frequently emphasized a leader’s need of setting a clear vision for the organization and to consequently also make people pursue the direction. Subsequently, the leader was also expected to continuously communicate the desired direction and hence also motivate people to obtain alignment in a certain direction. This far, no major differences existed between HiPos’ and executives’ perceptions of leadership. This is further confirmed in already existing literature when emphasizing the need of setting a vision and direction (Kaiser et al., 2008; Kouzes & Posner, 2008). The several concepts and importance’s related to leadership makes it is complex to argue in favor of a certain characteristic or leadership style. However, a number of important leadership characteristics became emphasized during the study, which will be presented in the following sections.

**External view and opportunistic mindset**

Executives stated during interviews that leaders in India are expected to understand future trends on the market by acknowledging how trends could implicate the current value proposition. Leaders were further expected to then update value propositions in order to fulfill the evolving customer demands. To succeed as a leader in India, the leader should furthermore not be pleased with status quo. A leader should rather be hungry and lead from the front, aiming to catch opportunities by understanding the evolving relation between people, products and markets (E and HiPos). A quotation by a HiPo within manufacturing summarized the philosophy of a successful leader a depicting manner: *“Hunter or farmer, I call myself a hunter”*. An opportunistic mindset was therefore assessed as crucial for a leader in India to apply, to see opportunities in constraints and by inculcating the opportunistic mindset into the daily activities.

### **Present and relation based leadership**

Interviewees tended to highlight skills in relationships as needed since the constant need to argue in favor of decisions made locally when reporting to the corporate HQ. Arguments often concerned explanations to increase the corporate understanding about market requirements in India. Building relations through trust was however argued to facilitate the understanding, which often resulted in more freedom to act and to take autonomous decisions locally.

Because of the significance of relations within India, leaders need to pay attention and show appreciation to distinguish from the rest. Being present and visible is therefore important and leaders are expected to stand behind and support by pushing people when needed. If demanding without prior understanding of employees' situations, individuals might refuse inherently and lie or hold back information. *"If you tell something that is very straight to them they might not like it"* (E). Leaders are therefore forced to listen and understand when giving coaching and feedback to mitigate employees from communicating misleading information both internally and externally to customers. In relation to communication, leaders are according to both HiPos and executives more likely to get people aligned if avoiding communication about pure numbers to rather focus on aspirational speeches about the future outlook. The leaders who finally manage to combine presence, supportiveness and listening are usually the ones becoming perceived as strong leaders and subsequently rewarded with trust from subordinates.

As opposed from strong leaders and trust, the concept of Indians short-term thinking was further denied as an issue within SMNCs. Interviewees did frequently emphasize that a deep foundation of sustainable values could mitigate short-termed thinking deployed by rigid processes and policies. Expatriates could however see traces of the existence of short-term thinking, based on their ability to compare the Western and the Indian culture. Indians were expressed to be generally short sighted in mind without acknowledging the need of planning long term which assumedly serves as an effect from a culture based on poverty and caste system. One could therefore assume that the reason for present leadership is a mean to constantly monitor employees to suppress Indians short-term philosophy, fostered in school where the emphasis often are low related to autonomy to make own decisions and think outside the box (Shira & Devonshire-Ellis, 2012).

### **Alignment between long-term planning and leadership development**

Leadership development was assessed to serve as a vital component to develop successful future leaders to ensure future success of strategy deployment. This was also emphasized by Kaiser et al. (2008) and & Brown (2003). GE argued to prioritize capabilities in strategy creation and planning based on external trends which had to be developed in order to succeed in the transformation from corporate governance towards increased autonomy: *"You are used to take directions and implementing them. Suddenly you have to take the decisions and implement them which is a very different mindset you need as a manager"* (CFO).

To be able to acknowledge future competences, there has to be a long-term strategy based on the expressed market challenges and ongoing cultural transformations. Knowledge of market challenges was however, as previously stated, absent at most of the investigated companies. This probably aggravates the gap assessment of necessary capabilities for future leadership development plans. Overall, a low extent of long-term alignment existed within the investigated SMNCs. An executive did however address the need of possessing a long-term plan in favor of sustainability. The same person did concurrently admitted it as absent at the company where one to three year plans usually applied due to the expressed impossibility to predict more than three years in advance. The interesting part with the discussion was that the same executive unexpectedly changed his mind during the interview:

*“I admit that we haven’t planned for more than a 3 year future before, but that is something that I am going to do”* (E). The limited long term planning horizon was not the case at all of the investigated SMNCs but still prevailing at a majority of them.

To meet challenges related to short term thinking in relation to both strategy creation and deployment, it becomes a leader’s responsibility deploy sustainable values and inculcate it into the organization. Values consequently turn out to be particularly important to ensure alignment between the long-term planning and leadership development to reach success. GE had interestingly managed to connect organizational values and individual performance to assess performance on both individual and group level. Organizational values were further iteratively updated based on projected future demands and the perceived required leadership capabilities to stay competitive on the market. As an example, the Indian market was deemed by interviewees to require an increased emphasis on speed and risk taking in order to conquer the fierce competition. Consequently, GE had decided to base one of their core values according to imagination and courage to subsequently guide leaders in the right direction. It could consequently be argued that GE successfully had managed to align needs related to long term strategies with leadership development programs and there was hence a drive to change the culture based on market requirements.

### **Succession planning**

Executives expected HiPos to drive business development by executing the strategy to reach organizational strategic objectives to thereby *“be the driver that can make a difference in the organization with speed in implementation of strategies with innovation”* (E). HiPos therefore need to develop a strategic mindset and the ability to grasp a wide picture of the business environment. The energy needed to develop a strategic mindset might not imply any major issues if believing the interviewees. HiPos’ desire to grow could be leveraged by allowing freedom to take risks with accountability based on rotation programs. Devonshire-Ellis (2012) refers to freedom with responsibility as a mean to encourage employees to take own initiatives, which further were stated to be lagging in the Indian educational system.

Through mentoring and coaching by role models, HiPos are likely to become influenced to start leading according to company values. Succession planning was yet deemed to be absent in the lion’s share of SMNCs since not expressing the need. Some SMNCs however expressed was a desire to recruit 70% internally and 30% externally to keep a balance between local understanding and objective views. It was also to ensure an efficient internal leadership development process.

GE as a forefront organization within the area of leadership development was assessed to develop leaders by practicing succession planning on all organizational levels. It was further based on the foundation that every leader nominates three potential successors to the leadership team who later assess the selected persons to jointly decide upon the most appropriate successor. The perception of this system was perceived as somewhat Darwinistic since only the strongest survived. It was simultaneously perceived effective since people had to put plenty of effort into the development of peers before climbing in their individual careers. An assumed advantage of such a nomination system creates a synergistic balance between Indians strive towards success with the parallel need of developing peers which emphasized sustainability. The process can therefore be argued to enable individuals to rapidly grow but also create sustainability through the simultaneous development of peers. This does finally imply a long term alignment when people are evaluated based on organizational values which further aligns with organizational needs. This system was additionally integrated in the daily work to ensure a continuous supply of HiPos into strategic positions as people succeed within the company.

### **Global exposure to learn values and to understand cultural differences**

By being exposed to the global organization through participation in global projects and rotation programs, leaders develop an understanding of cultures, communication and SMNCs' values. Based on interviews, several leadership development approaches within SMNCs revealed to often avoid classroom training. Interviewees rather preferred action based programs to acquire practical experience and insights instead of pure theoretical knowledge, which is further stressed by Groves (2007) and Fulmer & Goldsmith (2000). Global exposure also transforms leaders to become global leaders by living the company values which enables the organization to move faster due to reduced distances in cross cultural understanding.

In relation to rotation programs, an open job market encourages people to voluntarily apply for available positions internally to also create global exposure. An additional advantage is that people tend to be perceived as leader when grown internally as a result of internal exposure through networking and the establishment of relationships (Harrison et al., 2006). In relation exposure, one SMNC argued to occasionally face issues when an employee had been abroad to later come back to succeed. This issue occurred when a person became the superordinate of previous peers who initially could have difficulties in accepting the person's advancement. But by being exposed to new cultures and leadership styles, capabilities in managing people in different part of the world are likely to be developed as well as creating new networks.

Hence, if aligning leadership development through open job market to strategy creation it is likely that the bridge between corporate and local culture could diminish through an increased understanding of the Indian culture. An additional advantage could be to simultaneously distribute the opportunistic mindset globally as Indian leaders rotates since they are expressed to be more opportunistic compared to European peers. A rule of thumb for SMNCs' subsidiaries in India was expressed to strive towards having 20% of the leaders recruited globally. This ensures cultural rotation but also to spread the Indian opportunistic mindset through expatriates. Cultural rotation and sharing of an opportunistic mindset stem from the prerequisite that leaders should receive more challenging roles when returning back from positions abroad to leverage new insights and cultural understanding. This did however seem to work only one way. Indians that had been expatriates in Europe was argued to return to spread western culture. The opposite did however not occur since a large number of European expatriates still where circling around globally without returning and hence not spreading the Indian culture, a trend that is further emphasized by Caligiuri (2006).

### **5.4 DEPLOYMENT OF LOCAL STRATEGY**

Kotter (1999) argued that leaders should be responsible for creating the vision and direction, the implementation should however be performed by managers. If pursuing Kotter's (1999) argumentation, current HiPos could be regarded as managers since current executives frequently argued that HiPos should be the ones implementing strategies. Interviewed HiPos further shed light on the importance of speed and courage to stay competitive in the increasingly competitive market. This gives an additional spur for HiPos to obtain more responsibilities in strategy deployment. However, challenges prevailed perceptual differences between current executives and HiPos as illustrated in table 7 below.

HiPos	Executives
Speed and risk	Matureness
Willingness to climb	Contentment
Jugaad	Sustainable growth values
Released from societal constraints	Born in highly segregated society

Table 7. Perceptual differences between executives and HiPos

The first obstacle to manage in order to seamlessly deploy a local strategy is to address HiPos' and executives' opposed views of speed and risk versus matureness and stability. HiPos did express the strongest desire for more speed and risk. But according to mutual opinions from HiPos and executives, their collective view however favored the mindset of speed and risk before stability. HiPos were yet frequently mitigated through organizational values and executive's focus on sustainability. Executives were further argued to be the communicative link with corporate levels that therefore partly excluded the opinions from HiPos.

Another perceptual difference between HiPos and executives were that HiPos often aimed to rapidly climb the career ladder while executives instead were more content with their current positions. In relation to perceptual differences of careers, the Indian business environment is naturally influenced by the societal evolution. Current executives were often born during more traditional eras of caste with fewer opportunities. HiPos are on the other hand experiencing more liberal conditions with more opportunities, which has created a willingness to climb. Another factor that was perceived as potentially conflicting was the Indian mentality of the strong leader who people were supposed to pursue. Hence, if HiPos are led by a leader from the older generation, it becomes probable that HiPos are constrained due to perceptual differences and since people are not supposed to question orders from more senior people.

The willingness of speed, risk taking and strive to succeed was additionally assessed to partly derive from the Indian Jugaad. Jugaad was perceived as somewhat forbidden among executives but yet deemed as a potential leverage if utilized correctly. But, if giving HiPos the mandate to operate according to Jugaad autonomously would probably create undesirable results due to the short termed mindset. However, by allowing a part of it would most likely have a positive impact on SMNCs' innovativeness. This since HiPos were considered by interviewees to possess the ability to think in more creative manners. Predictability and sustainability was favored as values within several of the investigated SMNCs that potentially could hold HiPos back. The main reason was that HiPos often perceived it time consuming to thoroughly investigate and evaluate different alternatives in order to agree on a sustainable solution. There is however a need to use HiPos' opportunistic mindsets to drive and deploy the strategy to excel business results. Generational differences needs to be considered in order to adapt accordingly to an opportunistic growth driven mindset rather than relying on a cost saving focus to succeed in a developing country as India.

## 6 IMPLICATIONS FOR THE OPPORTUNISTIC MINDSET

An outcome from the analysis part was argued to be the lack of cultural and local understanding from corporate levels within SMNCs. The lack of understanding was further deemed by the vast majority of interviewees to negative influence business possibilities due to the tendency of relying on Western assumptions about structure and sustainability. It could consequently be argued that SMNCs in India currently experience unnecessary losses of business and simultaneously not reaching their full potential. Losses in business and underperformance can be argued to primarily result from three aspects: mitigation of HiPos’ driving forces, mitigation of cultural opportunities and a lack of local adaptation (illustrated in figure 16 below).

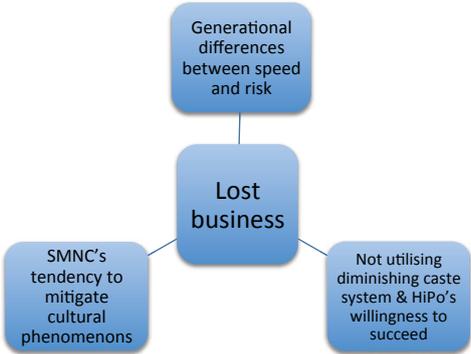


Figure 16. Probable reasons to unnecessary losses of business for SMNCs

The analysis chapter has discussed the various needs for SMNCs to inculcate when formulating global strategy that could be the foundation for the opportunistic mindset and favor organizational success. Thus, the Western focus on cost could be replaced to allow a more adapted mindset to enable a future with growing market shares. The assessed possibilities were reinforced by empirical information from an executive within manufacturing who elaborated about the differences in price related to manpower: *“Projects in the west are calculated in 50% material and 50% manpower. In India corresponding numbers are 90% and 10%”*. Another interviewee additionally argued that India still offer the possibility to employ an equivalent person in India as in Europe in terms of education but for one fourth of the price. It is therefore hard to not question why SMNCs in India are not utilizing the situation to increase businesses, rather than applying the western mindset of continuously reducing costs.

The perceived need of an opportunistic mindset revealed market challenges and the Indian culture as particularly important to feed decision makers to make them more opportunistic. As illustrated in figure 17 below, the opportunistic mindset could be adopted through two channels: values and corporate governance. This would influence the creation of both the global strategy and the appropriate level of corporate governance for the Indian market.

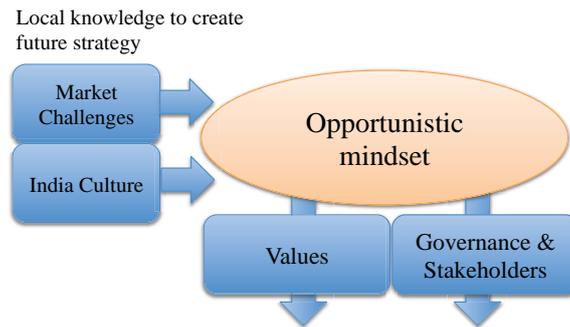


Figure 17. Input and output of an opportunistic mindset

The following two sections about values and corporate governance will describe each implication for practice more thoroughly.

## 6.1 VALUES

SMNCs are struggling to establish a properly aligned leadership development process. But companies as GE has yet managed to create a habit in the daily work of developing leaders and employees to match external trends with the strategy after nearly 20 years of practice. What SMNCs could benefit from GE's approach is to apply the mindset of constantly updating organizational values based on external factors to drive business performance. As argued earlier, SMNCs had a tendency to rely on Western values, which has been proved to work in mature environments. But it could simultaneously be argued that SMNCs in general are required to redefine current values to adapt according to emerging market needs. SMNCs would probably benefit from being more opportunistic and it would be the local leader's responsibility to drive and secure the long-term success. The local leader could further be the bridge between the Indian innovative short-term thinking and SMNCs' values to subsequently develop an opportunistic mindset to influence future decisions. Current executives were deemed to rely more on Western values based on stable growth and cost reduction developed for mature markets. But the current HiPos will succeed to become the new executives as current executives retire. SMNCs could therefore be proactive and already now start to discuss probable implications of the upcoming generational replacement.

Executives argued that it often requires 10-15 years to change an organizational culture implying that values and development of leaders has to be consistent over a long period of time. Thus if SMNCs are considering redefining currently held values, it should be top prioritized on the agenda relatively soon. Company values needs to be developed and owned by the global organization to keep them updated and aligned with the long-term strategy. An alignment further requires a constant outlook of the market to apprehend trends, which might affect the business environment locally. An alternative could be to stick to current values for SMNCs but to a varying extent, depending on local needs, as could be seen at GE. Leadership development will be one of the most important success factors for the deployment of the updated values since leaders are supposed to be responsible. Applying a copy paste solution of a Western value proposition in India has frequently been deemed as unsuccessful throughout the report. But it can simultaneously be argued as similarly complex to reach success if also pursuing Western values in an emerging market as India.

## 6.2 CORPORATE GOVERNANCE

*"MNCs need to come up with products to fit the requirements to the [Indian] market and local organizations should have that freedom"* (E). Empirical data tends to favor market shares and profit margins if being more autonomous locally. SMNCs would probably improve its business possibilities

if encouraging autonomy for subsidiaries. The freedom provided by some SMNCs was also expressed as an important retention factor. Hence, autonomy freedom openness has to be sacred and aligned with company values to drive an opportunistic mentality, creating a sustainable platform by opportunistic leaders to implement future strategies. To further utilize cultural phenomena, SMNCs need to allow employees to operate more independently. The present leadership style would therefore arguably need to diminish in favor of more emphasis on a coaching leadership style to lead the current opportunistic HiPos who will succeed into leading positions in the future.

More autonomy would probably require leaders to develop skills in strategy creation since these skills are different from deploying strategies through directions. It was additionally apprehended from the interviews that the establishment of local partnerships might be easier to develop and maintain if being more local and autonomous. Political obstacles were for instance expressed as a challenge due to different prioritizations in agendas. But political obstacles could probably be less complex to manage if being more autonomous compared to being strictly governed, since having the possibility to network and maintain relations.

Another possible advantage of moving towards increased autonomy might stem from an improved market understanding and by an inculcation of the Indian mindset to develop value propositions demanded by the Indian market. Furthermore, if enabling more autonomy and local development, it could ultimately emerge an opportunity to leverage products developed for India globally. These products could then also be used on the Western markets where a cutting edge could be the possibility to offer similar value propositions as competitors but at a lower price.

Potential practical implications are however not absent if moving towards more autonomy. As expressed by interviewees at for instance GE, a transition requires time and patience since people cannot change mindset from being executors to instantly also create strategies. A transformation would hence probably require plenty of additional education to teach people the right mindset. It is also possible that an initial presence of expatriates with experience from local governance would ease a transformation before gradually decrease in presence. This should aim to allow more responsibilities to local talents as they mature in their roles.

### 6.3 SUMMARY

The main part of the analysis chapter formed a model describing how SMNCs could increase the possibility to succeed in India (figure 18 below). The model should not be considered as a concrete suggestion to pursue. It should be used as a guideline to avoid falling in similar traps as numerous investigated SMNCs were deemed to have experienced. One trap that the lion's share of all investigated companies had neglected regarded the utilization of local knowledge about market challenges and the Indian culture. The poor level of utilization had according to both executives and HiPos negatively influenced the need to possess an opportunistic mindset. The opportunistic mindset which encouraged both speed and risk taking was assessed by interviewees to be highly needed for developing markets. Hence, if managing to inculcate a more opportunistic mindset into SMNCs' global strategies and corporate governance, it probably increases the probability to form a successful local strategy. The probability of success would arguably increase even more if offering more adapted value propositions, building partnerships and secure access to human resources locally. The final part in the suggested model was to utilize local knowledge within corporate levels. This since interviewees frequently stated to be underperforming due to a lack of understanding between headquarters and subsidiaries. Ultimately, it is complex combine Indians' local knowledge about challenges and culture with SMNCs capabilities. But, if succeeding, it could be argued to enable positive synergies, which could increase the success for SMNCs on both the global and Indian arena.



Figure 18. The suggested model for SMNCs in India

## 7 DISCUSSION

The model in figure 17 above should not be considered as recommendations for SMNCs in order to succeed in India, rather to be considered as guidelines. It is further complex to generalize recommendations to SMNCs within diverse business segments and industries. However, 52 interviews ranging from analysts to Indian CEOs were conducted. This could be deemed to depict a comprehensive picture although that individual opinions and perceptions could differ extensively. Different levels of organizational maturity were also perceived to influence interviewees' perceptions. It is further worth to address that approximately 90% of all interviewees were native Indians, which consequently could impact the findings. Even more interesting findings would probably be revealed if interviewed employees within Swedish and European offices to obtain a western culture and perspective.

The bias of data and the subsequent interpretation of transcriptions could additionally involve a risk during an implementation. This since less than 4% of the interviewees were Swedes and thus, information might be missed since opinions and perceptions lacked from a European point of view. It is additionally not possible to draw statistically approved suggestions since the interviewees only represented a minority of employees at SMNCs in India. Furthermore, information from European employees might have revealed constraints derived from non-negotiable regulations, which thus could jeopardize some of the findings. On the other hand, it could simultaneously be argued that information from almost exclusively Indians has shed light on opinions and suggestions, which could be useful for SMNCs.

A common theme of answers from both current executives and HiPos described SMNCs as slow and less adapted compared to competitors. But since the data collection was performed during a period of 9

weeks in India it is possible that temporary negative trends influenced the answers. If the research would have been executed based on a longitudinal design stretching over a longer period of time, other trends might be revealed. This could have indicated that SMNCs in India are moving towards increasing speed and adaptation through for instance increased autonomy within the Indian subsidiaries. Since current executives will retire at some point in the future it implies that HiPos should receive a significant amount of experience to be prepared to shoulder the responsibility of developing a SMNC. However, HiPos' abilities to reach targets have been described as complicated based on perceptual differences between current executives and HiPos but also due to Western mindset and values. This could hence question whether or not SMNCs are applying appropriate values from an Indian perspective.

## 8 CONCLUSION

The initial aim of this research was to address how to reach performance as a Swedish Multinational Corporation (SMNC) in India. The specific research questions are listed below.

*RQ1: How does the perception of leadership and leadership development differ between high potentials and executives and what are the potential implications?*

Perceptual differences existed related to time and the willingness of taking risks, which consequently could imply potential future implications for SMNCs. HiPos did frequently possess a desire to take more risks, adapt more and perform the business in a more rapid speed compared to executive peers. Executives did in contrast seem to apply the SMNCs' mentality of sustainability and maturity. An implication of perceptual differences was deemed to potentially imply a risk for SMNCs to become surpassed by competitors as the competition increases. SMNCs additionally seemed to be relatively conservative related to the adaptation of value propositions to suit local Indian demands. This often distinguished SMNCs from locally successful competitors who rather had developed niched products to suit specific customer needs.

*RQ2: What are the SMNCs' major internal (organizational) and external (market) challenges in India?*

Several internal and external challenges were expressed as present for SMNCs in India. The major internal challenge concerned HiPos' perceptual differences distinguishing from the perceptions of the current executives and SMNCs' corporate values. HiPos' emphasized that speed and risk taking in the daily business often became mitigated by executive peers and SMNCs' corporate values. In contrast, executives and corporate values did rather favor stability and sustainability. This seemed to negatively limit HiPos from utilizing their potential completely, which probably limited the SMNCs as well. Table 8 below presents the most prevailing perceptual differences between HiPos and current executives.

HiPos	Executives
Speed and risk	Maturity
Willingness to climb	Contentment
Jugaad	Sustainable growth values
Released from societal constraints	Born in highly segregated society

Table 8. Perceptual differences between HiPos and current executives

The most prevailing external challenges was addressed as several and expressed differently between interviewees and industries. The collective view did however often describe an increasing need for agility and speed in order to fulfill the evolving customer demands. The majority of interviewees did further refer a part of the increasing customer demands to the simultaneous and amplifying competition. The list of the most prevailing external challenges is included in table 9 below.

Market challenges in India
Innovativeness - need of being agile and quick to meet customer demands
Amplified competition and new competitors
Increased awareness for quality
Cutting costs simultaneously as improving quality
Create stability in the supply chain
Same as current challenges but in an amplified manner

Table 9. Challenges for SMNCs in India according to interviewees

*RQ3: How are SMNCs aligning their 5-10 year strategy with leadership development to meet major internal and external future challenges?*

The alignment between 5-10 year strategies and leadership development existed to a varying extent within the investigated SMNCs. Some SMNCs possessed an acknowledged 2020 plan that seemed to strictly align leadership development activities and expected future challenges. Other SMNCs were instead perceived to completely lack an alignment. This since neither long-term plans nor clearly understood development activities were communicated during the interviews. It could however be argued that the lion’s share of the investigated SMNCs were clearly surpassed by for instance GE. GE arguably possessed a deeply rooted mindset and habitual among employees to continuously utilize succession planning to develop employees on both individual and organizational level.

*RQ4: What are the most important aspects in strategy creation and deployment for SMNCs to succeed in India?*

The study enlightened the Indian cultural development as particularly vital for SMNCs to acknowledge in order to not mitigate Indians drive and opportunistic mindset to succeed both professionally and socially. It could be argued that the majority of investigated SMNCs currently pursued Western mindsets of cost reduction and sustainability. This could further be argued to constitute a risk alongside the growing market with a fierce competition from local and foreign competitors. Hence, it could also be argued that SMNCs needs to reconsider the currently held assumptions about organizational values in Indian to rather consider a more opportunistic mindset. A more opportunistic mindset was perceived by interviewees as vital in order to conquer new market shares through a less governed organizational structure. Another desirable effect of an opportunistic mindset would also perceive growth rather than cost reduction as a winning strategy for future sustainability. Finally, Indians did in general favor a more offensive strategy rather than backpedaling to tackle hurdles, which further increases the potential acceptance of less prevailing Western values.

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# 10 APPENDIX

## 10.1 INTERVIEW GUIDE

### **Interview Questions Interview Guide - High Potentials**

RQ1: How do high potentials perceive leadership and leadership development?

#### **Background**

- Could you please tell us a bit about yourself and your background?

#### **Leadership**

- What is expected from you as a leader at XXX?
- What do you expect from your leaders?
- Can you give an example of a situation that challenged you as a leader at XXX? /(What are the biggest challenges in being a leader at XXX?)

#### **Challenges and Business Strategy**

- What do you see today as XXX current three toughest market challenges?
- If you look 10 years ahead, what do you foresee as XXX three toughest challenges?
- Given the challenges that XXX faces in the upcoming 5-10 years, what do you think is necessary for you to develop as a leader?

#### **Development and retention**

- Who is responsible to develop your leadership skills needed for future challenges?

#### Individual questions

- Can you describe some situations or experiences that helped you develop as a leader at XX?
- What initiatives (new projects, workshops etc.) are you personally taking for improving and developing the organization?
- What drives you forward in your professional career? (Intrinsic motivation vs. money)

#### Company questions

- How does XXX help you to develop as a leader?
- Do you have someone that gives you leadership advice for how to act in different kinds of situations?
- What does XXX need to do to keep you at the company for the long-term?

## **Interview Questions Interview Guide - Top executives**

### **Background**

- Could you please tell us a bit about yourself and your background

### **Leadership**

- What is expected from you as a leader at XXX?
- What are the biggest challenges in being a leader at XXX?
- How do you identify high potential leaders?
- What do you think drives high potentials forward in their professional career?

### **Challenges and Business Strategy**

- What do you see as XXX current three toughest market challenges?
- If you look 10 years ahead, what do you foresee as XXX three toughest challenges?
- Given the challenges that XXX faces in the upcoming 5-10 years, what do you think is necessary for high potentials to develop?

### **Development and retention**

- Who is responsible for developing high potentials' leadership skills needed for future challenges?

### Individual questions

- Can you describe some situations or experiences that helped you develop as a leader at XXX?
- What initiatives (new projects, workshops etc.) should high potentials take to improve and develop the organization?

### Organizational questions

- How does XXX help high potentials to develop as leaders?
- How do you give high potentials advice/support for how to act in different kinds of situations?
- What does XXX need to do to keep the high potentials at the company for the long-term?