OVERSEAS OVERTURES case study solution

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Short Description
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Read the case entitled `Overseas Overtures' and answer the following questions :

(a) Do you agree with the view of Avinash Dwivedi on restructuring Sunlight Chemicals ? If yes, why ? If no, why not ?

(b) Comment on the strategies adopted by the company to groom global managers. Explain the principles/concepts based on which the management may have taken the decisions of recruiting and posting employees.

(c) Critically evaluate if proper use was made of employee training and performance appraisal in Sunlight Chemicals.

(d) Comment on Sunlight's technological competitiveness to be a global player. Suggest how the company could improve its competitiveness in terms of human resources.

Staring at the vast expanse of the Arabian Sea from his corner office at Mumbai's Nariman Point, Ramcharan Shukla, the 53-year-old executive vice-chairman and managing director of the Rs 500-crore Sunlight Chemicals (Sunlight), felt both adventurous and apprehensive. He knew he had to quicken the global strides that Sunlight had made in the last four years if the company were to benefit from its early gains in the world markets. However, he was also shaken by a doubt: would his strategy of prising open international markets by leveraging the talents of a breed of managers with transnational competencies succeed?

Globalisation had been an integral part of Sunlight's business plans ever since Shukla took over as managing director in 1990 with the aim of making it the country's first international chemicals major. Since then, Sunlight—the country's third-largest chemicals-maker—had developed export markets in as many as 40 markets, with international revenues contributing 40 per cent of its Rs 500-crore turnover in 1994-95. The company also set up manufacturing bases in eight countries—most recently in China's Shenzhen free trade zone—manned by a mix of local and Indian employees. These efforts at going global first took shape in December 1991 when Shukla, after months of deliberations with his senior management team, outlined Sunlight's Vision 2001 statement. It read: "We will achieve a turnover of $ I billion by 2001 by tapping global markets and developing new products." The statement was well-received both within and outside the company. The former CEO of a competitor has said in a newspaper report: "Shukla has clearly sensed the pressures of operating in a new trade order with a tough patents regime." But Shukla also realised that global expertise could not be developed overnight. Accordingly, to force the company out of an India-centric mindset, he started a process of business restructuring. So, the company's business earlier divided into domestic and export divisions, was now split into five areas : Area 1 (India and China), Area 2 (Europe and Russia), Area 3 (Asia Pacific), Area 4 (Us) and Area 5 (Africa and South America). Initially, managers were incredulous, with one senior manager saying,: "This is crazy. It lacks a sense of proportion.” The cynicism was not misplaced. After all, the domestic market—which then contributed over 90 per cent of the company's turnover—had not only been with the Chinese market, but had also been brought at par with the areas whose collective contributions to the turnover was below 10 per cent. Shukla's explanation, presented in an interviw to a business magazine :

"Actually, the rationale is quite simple and logical. We took a look at how the market-mix would evolve a decade from now, and then created a matrix to suit that mix. Of course, we will also set up manufacturing facilities in each of these areas to change the sales-mix altogether." He wasn't wrong. Two years later, men as the first manufacturing facility in Vietnam was about to go on stream, the overseas areas' contribution to revenues rose to 20 per cent. And the mood of the management changed with the growing conviction that export income would soon surpass domestic turnover. Almost simultaneously, Shukla told his senior managers that the process of building global markets could materialise only if the organisation became flat, flexible and fleet-footed. Avinash Dwivedi, a management consultant brought in to oversee Sunlight's restructuring exercise, told the board of directors: "Hierarchies built up over the years have blunted the company's reflexes, and this is a disadvantage while working in the competitive global markets." Shukla agreed. For too long, Sunlight had been structured around the twc arms of marketing and manufacturing, each headed by a vice-president. As par of the new plan, both functions were integrated and brought under the common control of a newly-created post, vice-president (chemicals). The new integratec set-up now had four hierarchical layers as opposed to the earlier system of nine layers for each arm. And each of the five reconstituted areas was headed by vice-president geographically based at the epicentre of the market. So, thm vice-president of Area I was based in Mumbai, Area 2 in Frankfurt, Area 3 ii Hong Kong, Area 4 in Chicago, and Area 5 in Cape Town.

The selection of vice-presidents for the newly-constituted regions posed n1 immediate problem. For, Sunlight had several general managers—from bot arms of marketing and manufacturing—whose thinking had been shaped by th company's long exposure to the export markets. For obvious reasons, the abilit to build markets was the primary criterion for selection. The second criterion wa a broad business perspective with a multi-functional, multimarket exposun That was because Shukla felt it did not make good business sense to send battalion of functional managers to foreign markets when two or three busine! managers could suffice.

But specific markets also needed specific competencies. That was how Sunlight chose to appoint a South African national to head Area 5. The logic: only a local CEO could keep track of changes in regulations and gauge the potential of the booming chemicals market in the US. However, the effort was always focused on using in-house talent. Shukla put it to his management team: "We should groom managerial talent—whether local or expatriate—for all our overseas operations from within the company and should rotate this expertise worldwide.

In essence, we should develop global managers wihin the company. " While doing the personnel planning for each area and fixing the compensation packages for overseas assignments, Sunlight realised the importance of human resource (HR) initiatives. The HR division, headed by vice-president Joseph Negi, had been hobbled for years with industrial relations problems caused by the unionisation of the salesforce. "You have to move in step with the company's global strategy," Shukla had told his HR managers at a training session organised by Dwivedi, who was spearheading the task of grooming global managers.

Four years down the line, Shukla felt that Sunlight was still finding its way around the task. Sure, a system was in place. Depending on the requirements of each of the four areas, Sunlight had started recruiting between 25 and 30 MBAs every year from the country's leading management institutes. During the first six months, these young managers were given cross-functional training, including classroom and on-the-job inputs. The training was then followed by a placement dialogue to determine the manager-area fit. If a candidate were to land, for instance, on the Asia-Pacific desk at the head office, he would be assigned a small region, say, Singapore, and would be responsible for the entire gamut of brandbuilding for a period of one year in coordination with the regional vice-president.

The success with which he would complete his task would decide his next job: the first full-time overseas posting. He could be appointed as the area head of, say, Vietnam, which was equivalent to an area sales manager in the home market. After a couple of years, he would return to base for a placement in brand management or finance. A couple of years later, the same manager could well be in charge of a region in a particular area. Over the past four years,

Sunlight had developed 30 odd potential global managers in the company spanning various regions, using this system. But, considering that the grooming programme was only three years old, Shukla felt that it would take some time for the company's homespun managers to handle larger markets, like China, on their own. The real problem in this programme was in matching the manager to the market. Dwivedi suggested a triangular approach to get the right fit: define the business target for a market in an area. Look at the candidate's past performance in the market. And identify the key individual characteristics for that market. Dwivedi also identified another criterion: a good performance rating at home during the previous two years.

Once selected for an overseas posting, the candidate would be given crosscultural training—a course in foreign languages, interactive programmes with repatriated managers on the nature of the assignment, and often, personality development programmes on the nuances of country-specific business etiquette.

Further, an overseas manager would be appraised on two factors: the degree to which he had met his business plan targets for the market, and the extent to which he had developed his team. After all, he had to vacate the posting within three years to make place for his replacement. Achievements were weighed quarterly and annually against sales targets set at the beginning of the year by the vice-president of the region. The appraisal would then be sent to the corporate headquaraters in Mumbai for review by the senior management committee. Shukla had often heard his senior managers talk apreciatively of the benefits of transrepatriation. "The first batch of returnees are more patient, tolerant, and mature than when they left home," said Manohar Vishwas, vicepresident (finance), "and they handle people better."

But the litmus test for the company, Shukla felt, would be in managing a foreign workforce—across diverse cultures—at the manufacturing facilities in six countries outside India. The Shenzhen unit, for instance, had 220 employees, out of which only 10 were expatriate Indians. Further, the six-member top management team had only two Indians. Of course, the mix had been dictated by the host country's laws and language considerations.

Some of the African markets had their own peculiarities. The entire team of medical representatives, for example, comprised fully-qualified, professional doctors. Sharad Saxena, vice-president, Area 5, told Shukla: "As there is heavy unemployment in Africa, doctors are attracted to field sales work for higher earnings." There were other problems too: as both Chinese and Russian managers had been brought up on a diet of socialism, they were not used to displaying initiative at the workplace. Dwivedi had suggested that regular training was one of the ways of transforming the workforce. So, Shukla hired a training group from Delhi's Institute of Human Resource Management Training to spend a month at Shenzhen. This was later incorporated as an annual exercise.

Observing that interpersonal conflicts were common in situations where employees with single-country background were working together, a new organisational structure was introduced. Here, Sunlight positioned local managers between an Indian boss and subordinate. Similarly, some Indian managers were positioned between a local boss and subordinate. Says Avishek Acharya, vice-president, Area 3: "There were some uncomfortable moments, but it led to a faster and better integration of management principles, work practices, and ethics."

Obviously, reflected Shukla, Dwivedi was doing a great job. As he watched the setting sun, however, he found his thoughts turning to a more fundamental question. However, immaculate his HR planning had been, had he made a mistake by not developing his strategies first? Was he mixing up his priorities by putting people management ahead of issues like marketing, technology, and global trade? Even the HR strategy he had chosen worried Shukla. Should he have opted for more locals in each country? If expatriate managers failed m often than they succeeded in India, wasn't the same true for other countries? Is Sunlight on the right track in going global without trying to consolidate I position further back home? Can it realise its global vision with its current mix o strategies? Are there any gaps in its gameplan to conquer the globe ?

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