Wake Up Call

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THERE WAS A TIME WHEN the rules of economics would dictate that multi-nationals from the developed world should buy out companies in emerging economies, while their citizens screamed neo-colonialism. True to form, that's what happened in the first phase of India's liberalisation (Coke-Thums Up, Holcim-ACC), and the West was quite prepared for the backlash. But now the tables have suddenly been turned and corporates from the emerging economies are making moves on companies in the developed countries — leaving them very confused. What does it mean when an Indian takes over Europe’s largest steel company? Or when the Chinese take over IBM’s PC business?

The wealthy nations can’t allow themselves to express official alarm over this reverse FDI (foreign direct investment), but they do want to figure out what’s going on. Enter Professor Mauro F Guillen, director of the Lauder Institute at Wharton. The Organisation For Economic Co-operation And Development (OECD) in Paris has roped in Guillen to help it figure out what the impact of emerging MNCs might be for their corporates and their economies. “There’s no alarm, just concern,” he says. “The OECD countries understand the risks when American or European companies invest in emerging economies. Now they want to understand the risks when it is the other way round.”

The Western nations are concerned about the volatile nature of emerging economies, says Guillen, and in the new scenario, they want to understand the risks if, for example, the Mumbai stock market collapses or Brazil goes through another major currency devaluation. His brief is also to study how FDI from emerging economies into Europe is being funded and the impact on Balance of Payments. The trigger for the study, says Guillen, was the acquisition of Arcelor by LN Mittal. “The acquisition was really a wake up call for the developed world,” he says. “After all, Arcelor is a big company, with government holdings and a presence across Europe. And Mittal is seen as an Indian, though he may be based in Europe.”

With a doctorate from Universidad di Oviedo, Spain and a PhD from Yale University, USA, Guillen is a bit of an authority of emerging MNCs. He’s the author of *The Rise Of Spanish Multinationals: European Business In The Global Economy*, and his current research is on the internationalisation of the firm. “Spain, South Korea, Taiwan were all considered emerging economies two decades ago,” he says. “They produced the previous generation of emerging MNCs, like Telefonica and Samsung and Acer. Now it’s the turn of India and China”

The previous generation of emerging MNCs differed fairly widely in their strategies. Spain, for one, has produced a number of global companies in the infrastructure services sector, like Telefonica in telecom and Ferrovial in private airport management. Most of them went global by expanding into Latin America, when the region began liberalising, though they’ve now moved into Europe in a big way (Ferrovial, for example, manages Heathrow airport). Samsung, on the other hand, went in for a global branding rush, coupled with massive investment in R&D.

“One lesson that can be learnt from the previous generation of emerging MNCs that you need to keep your global expansion focused,” says Guillen. “In its domestic market, Samsung is in insurance, banking, textiles. But outside, it is only in electronics. Similarly, the Tatas may focus on IT and steel and not seek to internationalise all their domestic businesses.”
These are the Brahmas of the world, desperate to get rich quick, without thinking about sustainability. A good leader is a Brahma who creates Saraswati — knowledge. Knowledge manifests as innovation and ideas and inspiration. That is why Saraswati holds not just books and memory beads but also the lute with which she makes music. Knowledge appearing as insight provokes a systemic transformation in people. A good leader is constantly seeking wisdom, within himself and others.

Once Chandragupta was very hungry. The moment rice was served, he put his hand right in the centre of the pile. His fingers got singed and he withdrew instantly. "Never from the centre, child," said his guru, Chanakya. "Always from the sides where it is cooler." Chandragupta realised his master was not telling him about rice alone. He was warning him against his him. By becoming Brahma, he discovered Saraswati and so was able to become Vishnu with Lakshmi manifesting as his crown and kingdom.

It is said that Vishnu keeps Saraswati on his tongue. This makes Lakshmi jealous. She rushes towards him and plants herself in his heart. Vishnu knows that theickle Lakshmi will leave as soon as Saraswati leaves his tongue. Thus to sustain Lakshmi, he needs Saraswati. Good leaders know that to sustain their business they constantly need to inspire, motivate people and at the same time innovate new products and services that will delight the customer. Lakshmi will come into the company where Saraswati thrives.

Knowledge management systems, databases, research documents, patents are all tangible forms of Saraswati. A good leader focuses on them, rather than on account books. He ensures the Saraswati that is generated above the law. In other words, the organisation becomes Kali. A good leader recognises this rapidly and becomes Shiva. He has to destroy the rising ego and arrogance that blinds good judgement. He shuts his eyes and lies still, allowing the Goddess to dance on him but refusing to respond to her. Only then the Goddess becomes Gauri — dressed in green, she becomes maternal and affectionate, and with gentleness she requests Shiva to open his eyes and become Shankar, the benevolent, boon-bestowing, wise ascetic. Thus a good leader has to be fully sensitive to the corrupting influence of power — and try hard not to succumb to it.

Ultimately, to establish a knowledge, wealth and power generating organisation, a leader has to be a teacher, a king and an ascetic all rolled into one. When the three Gods thrive inside, the three Goddess will thrive outside.