



Indian Firms turn to Expats

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India emerges as a magnet for overseas managers as companies scale up operations, seek global footprint

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NEW DELHI

At the Geneva Motor show in March, Tata Motors Ltd introduced its newly hired German executives Carl-Peter Forster and Ralf Speth with as much fanfare as it did the European variant of the Nano, the world's cheapest car.

Forster, 55, is group chief executive officer of Tata Motors, and Speth, 54, will report to him as CEO of the company's Jaguar-Land Rover unit. Tata Motors vice-chairman Ravi Kant said their appointment was part of an effort to "internationalize" India's biggest auto maker.

"We have to take Tata Motors to the next logical level and...enter newer geographies," Kant told Mint at the motor show. "We do hope that this strengthening of management will help take forward our international dreams."

As Indian firms—from airline and airport operators to auto makers and phone firms, drug makers and organized retailers—scale up their operations in the world's second fastest growing major economy and seek a bigger presence overseas, they are increasingly going beyond the nation's borders to find top-level executive talent with the experience of big markets. And they are willing to pay top dollar salaries. For expatriate managers, the attraction lies in the challenge of spearheading companies in a young but rapidly expanding market and helping them increase size and reach at a time when Western economies and industries are in ferment.

"Indian companies are becoming global...and very attractive (to work for)," said Ulrich Dade, chairman of Amrop, a leading global executive search firm. "They

need experienced people who have run international organizations."

Amrop has a track record in conducting global talent searches for Indian companies and has just published a study called *To be or not to be: Expatriates in Indian Companies*.

Top expat executives "who could have easily found a job anywhere" are showing the willingness to work for Indian companies, Dade said, picking Forster as an example.

Forster has worked in the past at General Motors Co.'s Adam Opel GmbH unit and served as manufacturing head at Bayerische Motoren Werke AG, or BMW. He brings nearly a quarter century of experience to Tata Motors. Speth has 22 years in the European auto industry behind him, including stints at BMW and Ford Motor Co.

'Super excited'

Forster, who will be managing a group straddling both the luxury and entry car segments and has \$5 billion of debt, said he had other offers in hand, but chose to work for Tata Motors because India was where he wanted to be. Forster said two kinds of people work in the automobile sector: either the "terribly stupid" or the "extremely passionate". Speaking for himself, the German auto veteran said he is "super excited" about the challenge of overseeing Tata Motors in its quest to be a global force.

According to the research study by Amrop India, based on a survey of chief executives and expatriates, the demand for foreign talent has accelerated because of the rise of so called sunrise industries such as organized retail and mergers and acquisitions besides the global expansion plans of Indian companies seeking to sharpen their competitive edge through foreign expertise and leadership culture.

"There is an increasing intolerance for a suboptimal



performance culture, and a willingness to go across the borders in order to find right leaders to catalyse superior performance,” said the study.

For expatriates, the attractions of working for Indian employers include the “India experience”, a larger playing field and a challenging business agenda. Declining overseas industries are also a factor, according to the study.

To be sure, there is a flipside— from mismatches in work culture and management mindset to the casual approach that many Indian firms adopt towards the induction of newly hired expatriate employees and their families’ adjustment to India, said the study. Foreign employees being paid higher than local peers, without a proper value proposition, creates the risk of negative team perceptions.

Undercooking growth

The number of foreigners employed in India is still small. According to data given by a senior home ministry official who didn’t want to be named, a total of 398,836 foreigners were registered as staying in India as of 31 December, 2008, with students accounting for 45,435 followed by 20,394 employees. That’s just a fraction of the 150,000 foreigners legally employed in China five years ago, according to the People’s Daily, an organ of the Communist Party of China.

Still, demand for expatriate executives can only rise as economic growth accelerates and firms go overseas to hire ready expertise that’s lacking locally. Amrop, for instance, is engaged in up to three global searches at any given point, according to managing partner Preety Kumar, who warns that India risks “undercooking its own growth” if it doesn’t plug gaps in corporate leadership talent.

“This is strategic—we cannot ignore that there are great leaders sitting outside of India who may not be of Indian origin,” she said. “You can’t anymore say we don’t want them.”

Amrop recently found a leadership team of German engineers for the research and development work on Bajaj Auto Ltd’s small car project.

Mahindra Navistar Ltd, a 51:49 joint venture between Mahindra and Mahindra Ltd and Navistar Inc. of the

US to make commercial vehicles, has two expatriates in leadership roles, said Nalin Mehta, CEO of the company. “As a group, we often go abroad hunting for requisite talent, the way we do in India,” Mehta said.

Vodafone Essar Ltd is headed by Dutchman Marten Pieters, who was earlier the CEO of Celtel International BV, a leading pan-African mobile operator. Pieters replaced Asim Ghosh, who retired as CEO on 31 March 2009.

Bharti Airtel Ltd’s director of customer service delivery is Canadian Carol Borghesi, who brought 26 years of experience in customer service, including a senior position with BT Plc, to India’s largest mobile phone firm by subscribers.

Airtel’s enterprise services division is headed by an American, David Nishball, who oversees all business-to-business activities, including wholesale carrier and corporate markets—both within India and globally.

No discrimination

Joachim Horn joined Airtel as executive director of network services group in April 2009. He has close to 24 years of global experience in technology and networks, and his last assignment was with TMobile USA Inc., Deutsche Telekom AG’s US subsidiary, as group chief technology officer.

Nationality isn’t a factor in hiring, according to Airtel, whose boss Sunil Mittal is acquiring Kuwaiti telecom firm Mobile Telecommunications Co. KSC’s African assets for \$10.7 billion.

“As long as we see the skillset, the leadership and the role-fit, we are open to hiring candidates without discriminating on the basis of gender, geography, religion or other cultural attributes,” said Krish Shankar, director of human resources at Bharti Airtel.

“India has lately been recognized as a very enriching experience for aspiring professionals,” he adds.

Pipe maker Welspun Gujarat Stahl Rohren Ltd in March named Lauri Antero Malkki, who was earlier with Europipe GmbH in Germany as managing director, as its CEO.

Retailers have expatriates or repatriates— Indians relocating back home—in key positions. For instance, Aditya Birla Retail Ltd has Russell Berman as the CEO



of its hypermarkets unit and Andrew Denby overseeing its supermarkets business.

Reliance Retail Ltd, an arm of India's most valuable firm Reliance Industries Ltd, brought in an entire team of as many as 15 people from Tesco Lotus, Thailand, headed by Gwyn Sundhagul, for its value retail and hypermarkets businesses.

The airline industry, which boomed in the first half of this decade with the rise of several low-cost carriers but is now struggling with losses in the face of high costs and intense competition, has been a big hirer of overseas managerial talent, besides pilots.

Experience counts

Austrian-born Wolfgang Prock-Schauer Schauer was at the helm of Jet Airways (India) Ltd, India's biggest airline by passengers, between 2003 and 2009 before handing over the job to another expat, American Nikos Kardassis.

Even state-owned National Aviation Co. of India Ltd has for the first time named an expat as the chief operating officer of Air India, which lost in excess of \$2 billion in the past two years. Gustav Baldauf, who brings 25 years of experience in the aviation industry, was with Austrian Airlines as its executive vice-president (flight operations). He will have the task of turning around a company with 30,000 employees. Air India's board cleared his appointment in April.

An Air India spokesperson said Baldauf had been hired for his international experience, including in aviation mergers and acquisitions, that locals may not necessarily have. He is yet to get an appointment letter from Air India, Mint reported on 13 May.

The Bombay Stock Exchange (BSE), Asia's oldest bourse, hired an overseas-based Indian, Madhu Kannan, in May last year as its CEO. Kannan joined BSE from Bank of America- Merrill Lynch, where he

was a managing director in the corporate strategy group, and has the task of winning market share from its younger but bigger rival, the National Stock Exchange.

Going beyond money

Information technology firms, too, have turned to expatriates, both overseas and locally. Infosys Technologies Ltd, India's second biggest computer services firm, for instance, has around 100 expats in the middle and senior management levels working in India. In July, Wipro Ltd, India's third largest IT vendor, hired Martha Bejar to head global sales and operations.

"Some are hired to fill skill gaps. There are a lot who want to work for a world class company that has its base in India. They want to have an India experience in their CV," said T.V. Mohandas Pai, director and head of human resources and training at Infosys.

Insurance firms typically hire expats to fill management positions in finance and actuarial services, in which the local talent pool is limited, said Sanat Kawatkar of insurance consulting firm Towers Watson, who estimates that 25% of actuaries in India are foreigners who are paid salaries at par with those in developed markets.

Is the mutual fondness hereto stay? It appears it is. Expats offer Indian companies the "know-how, the know-who and the know-what" that they would find difficult, if not impossible, to replicate effectively, said Dipak C. Jain, dean emeritus at the Kellogg School of Management.

"Just as the US workforce is 'browning' with the addition of foreign talent, so too do we see the trend that India is slowly 'creaming' as foreigners increasingly seek opportunities in the world's largest democracy," he writes in the foreword to the Amrop study.