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Butter chicken at Birla

Kumar Mangalam Birla

What succeeds at home may not work overseas. The chairman of Aditya Birla Group, Kumar Mangalam Birla, says Indian companies must be prepared to change long-held traditions if they are to thrive on the global stage.

Mahatma Gandhi was killed in my great-grandfather's home. Near the end of his life, India's founding father used to stay at Birla House when he came to Delhi, and in January 1948 an assassin shot him point-blank as he walked out into the grassy courtyard where he held his daily prayer meetings. The house and garden are now a shrine and museum, visited by tens of thousands of admirers every year.

Growing up, I hardly needed to visit the memorial to be reminded of the values held by my close-knit Marwari family. Our tiny community, originally from Rajasthan, has had spectacular success in business, in part because we have maintained tight familial relations and traditional values—including many of those promoted by Gandhi himself. Marwari traders apprenticed their sons to other Marwari firms, loaned each other money, and insured one another's goods, confident that their partners held to these same codes. To some in the West, our ways probably looked old-fashioned: when I took over the company, in 1996, at age 29, after the sudden death of my father, no meat was cooked in Birla cafeterias; no wine or whiskey was served at company functions.

Seven years later, we bought a small copper mine in Australia. The deal wasn't a huge one, worth only about $12.5 million, but it presented me with a unique challenge of the sort I had not yet faced as chairman. Our newest employees were understandably worried about how life might change under Indian ownership. Would they have to give up their Foster's and barbecues at company events? Of course not, we reassured them.

But then several of my Indian managers asked why *they* should have to go meatless at parties, if employees abroad did not. At Marwari business houses, including Birla, the top ranks of executives traditionally have been filled with other Marwaris. I had introduced some managers from other firms and other communities, and they had a valid point. I was genuinely flustered. My lieutenants were relentless: I had never faced a situation where my own people felt so strongly about something. Yet at the same time, I knew vegetarianism was a part of our values as a family and as a company. A core belief! I had broken a lot of family norms, but I thought this one was going to be multidimensionally disastrous for me.

Fortunately, my grandparents merely laughed when I approached them with my dilemma: they understood better than I did that our company had to change with the times. If we wanted to make our mark on the world, we had to be prepared for the world to leave its mark on us.

The Aditya Birla Group is now one of India's most globalized conglomerates. We have operations in 36 countries on five continents and employ 136,000 people around the world. Over 60 percent of our revenues come from overseas. In the 1970s, my father, frustrated by the heavy-handed and corrupt "license raj" at home, expanded widely in Southeast Asia. Since I took over as chairman, we've made a dozen acquisitions overseas, worth a total of more than $8 billion, in sectors as varied as mining, pulp, aluminum, and insurance. We've branched out into Australia, America, Canada, and Europe. For the moment, our top management remains all-Indian, even if not all-Marwari. But I would guess that within a decade, half of our most senior staff will be non-Indian.

We have expanded internationally for many reasons—sometimes to spread our bets, sometimes because we found it impossible to open a plant in India as fast and as cheaply as we could abroad. In each case, we've based our decision on whether or not the deal would increase shareholder value. Yet when I look around me, I see too many Indian companies eager simply to be written about as global players. Sometimes that clouds the fundamentals of making an overseas acquisition or having an overseas presence. To globalize for the sake of globalizing, as a matter of ego, is perilous. Expanding internationally is hard, risky work. And as I was reminded the first time I saw butter chicken being served in a Birla canteen, the most difficult challenges turn out to be the ones you least expect.

One thing I've learned throughout this process of international expansion is that if Indian companies want to reinvent themselves as world-beaters, they should be prepared for some humbling experiences. Birla is a sixth-generation industrial concern; we sponsor hundreds of schools and temples around the country. Virtually every Indian recognizes our name. But when we decided to acquire a Canadian pulp mill in 1998, none of the 1,200 residents of Atholville, New Brunswick, had any idea who we were. We had to present ourselves, our credentials, our philosophy to everyone, from the local shopkeepers to the unions and provincial government. The team I'd sent to Canada to sign the deal was initially quite upset; they felt demeaned, as if they were being treated like fly-by-night operators.

The process of building trust does not end once the deal goes through. With any foreign acquisition, the new employees watch for signals to see if you are walking the talk, if your decisions match your promises. You have to be very careful that people don't read into things more than they should—how many people have been sent out from India, how often they report back to headquarters, whether they're treated any differently from non-Indian employees. All these things can make the difference between a company that integrates well into the larger group and one that resents being taken over.

Globalization is not just about putting up a plant. It's not about making an acquisition. It's much, much more. One has to tread cautiously, patiently. It has to be an evolutionary process. Before we made our biggest purchase to date—the $6 billion buyout of aluminum giant Novelis, in 2007—I asked the due-diligence team I sent out to give me substantive feedback about the attitudes of the company's American employees. I told them to engage the Novelis people in deep conversations to find out how they felt about working for an Indian conglomerate and what questions they had about our culture. The deal would be the second-largest Indian acquisition ever in North America and would make us the biggest producer of rolled aluminum in the world. But "soft" concerns were as important to me as statistics about plant machinery, profitability, productivity. I don't know if I'll ever write a check that big again; I certainly didn't want it to buy a hostile, disgruntled workforce.

Integrating all these global operations is obviously a challenge in itself. Some Indian companies prefer to leave their foreign acquisitions to operate on their own, almost as independent outposts. But if you want all your employees to share the same values and to feel a sense of kinship with one another, as we do, you've got to work at creating an emotional bond—the kind of thing that an Indian growing up hearing the name Birla, or attending a Birla school, would take for granted. By the same token, you have to be prepared to treat all your employees and managers, Indian and non-Indian, equally. The views of people outside India have to count as much as those of people here at home. It might take them longer to bond with the parent company, to think about the larger good rather than maximizing their silo operations. But the effort is worth it.

What's even more difficult for a tradition-bound company like ours, but just as valuable, is learning and importing values from the new acquisitions. This goes well beyond the food in the cafeteria. Before we started expanding overseas, the corporate presentations in our commodities businesses never discussed safety and the environment. Then we saw how our new employees operated. Their first slides always dealt with safety. They talked about near misses, fatal accidents. It was a huge deal—it came before any discussion of the competitive environment or profitability. Now we do the same. We have a deeper appreciation for the value of environmental sustainability.

Some lessons surprised me even more. Ironically, before we became more international, I used to be much more impressed by someone who could speak the Queen's English than, say, by a chartered accountant from Jodhpur whose spoken English required some effort to understand. Now when I look across all our operations in places like Brazil or Egypt or Thailand, I see a whole host of people who aren't comfortable in English, who need interpreters, but who are very, very good at what they do. Sadly, it took that experience for me to respect an accountant from Rajasthan—my home state—as much as a graduate of St. Stephen's in Delhi. At one time, we even wanted to run English classes for some of our employees! Now it's not an issue in my mind. If you can get your point across, if you are adding value, if you are competent, then bloody hell to your English.

More concretely, as we've grown, we've also had to learn new ways of structuring our organization. We've created positions for sector heads who control billions of dollars' worth of business—just as some of our foreign acquisitions did—rather than hundreds of millions.

The good news is that globalization gets easier over time: there is a snowball effect. The next time we bought a pulp mill in Canada, we were known. The New Brunswick government was comfortable with us; the mill workers knew who we were. Interestingly, as we become more global, people have real feedback to fall back on. When we acquired Columbian Chemicals, in 2011, executives at Columbian headquarters in Atlanta were able to go across town to the Novelis headquarters and ask about us—what we were all about, how we're run, what sort of autonomy we encouraged. They were talking to people to whom they could relate easily and who could give them honest and accurate information. Maybe not all of it was positive, of course, but at least it was real.

Now, when we want to recruit expat talent to move to India, it's much easier as well because they know about our global operations. They know that opportunities across the group are getting bigger and more interesting. That's made us a more attractive employer to non-Indians. As we are "going global," we're also finding that global executives are becoming more willing to "go Indian."

As I've said, this has taken years of painstaking work. It's not an overnight process, and it's not as easy as writing a check. There are opportunities out there for ambitious and well-run Indian companies—as long as they remember that the world will change them as much as they hope to change the world.

Kumar Mangalam Birla is chairman of the Aditya Birla Group. This essay is excerpted from *Reimagining India: Unlocking the Potential of Asia's Next Superpower.*