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論　　文

Strategic Organizational Response of an Indo-Japanese Joint Venture to India's Economic Liberalization

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Abstract

The Indian economy began its liberalization process in 1991 under the structural adjustment program of the IMF and the World Bank. The structural adjustment program required India to deregulate in phased manner, eliminate the license regime and to open its economy to foreign capital. With the opening of the economy, the Indian market become intensely competitive and turbulent with the entry of greater foreign participation. This paper tries to build a conceptual model of strategic response through effective human resource management policies and practices within such a market environment. The article tries to understand this phenomenon from a contingency perspective through a single detailed case-study of an Indo-Japanese joint venture. Several issues relating to organizational redesign, effective corporate responses like organizational redesign, professional and employee oriented modes of management and a hybrid model of Indo-Japanese HRM interventions are discussed.

Key words:
liberalization, corporate response, organizational design, Japanese management systems, Human resource management

1. Introduction

Studies of organizational adaptations to liberalization and globalization are relatively rare, specially those concerning emerging economies. Even rarer are studies that throw light on

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organizational responses of joint ventures in emerging economies like India. In the context of market liberalization, international joint ventures (IJVs) have emerged as one of the most important forms of organization (Dussauge and Garrette, 1999). The study of strategic organizational response in IJVs, in the context of emerging economies like India, offers an opportunity to extend the understanding about existing alternate adaptations, their utility and their effectiveness.

IJVs contrast with most unitary firms in being organizations with a small number of participating owners (principals) who have non-identical interests and competencies. Consequently, IJVs are liable to experience problems of agency, and conflicts of interests between national owners, between these owners and their managers, and between staff of different nationalities.

IJVs are also distinctive in that they often provide the linkages within wider international business networks. Networks encompass long-term customer-supplier partnerships that take on many of the attributes of a joint venture. Membership of a business network is likely to influence how owning companies perceive an IJV's role in relation to their overall business objectives.

IJVs are also one of the main vehicles for foreign direct investment (FDI). FDI is a vehicle for introducing so-called 'global practices' that are embedded in different national traditions. Moreover, emerging countries, like India, are likely to exhibit significant differences both from developed countries, like Japan, and among themselves, because they are still in the process of building institutions for a modern economy. The study of IJVs in emerging economies thus offers an opportunity to understand the differences between corporate traditions in distinct institutional and economic contexts, and whether these are experiencing a process of convergence.

Japan was a smaller player in the Indian market. However, its share of FDI in India increased remarkably from being almost insignificant in 1980 to coming quite close to that of USA and the UK by the middle of 1996. Thus the increasing Japanese presence in the Indian market deserved attention.

This paper attempts to examine how the liberalization of the Indian economy have influenced in general the corporate organizations in the country and in particular what sort of organizational adaptation did an Indo-Japanese JV undertake for relatively superior performance. After presenting a conceptual model of strategic responses to India's economic liberalization, this paper offers the following: (a) a description of the agency problems between the Indian and Japanese owners (b) an understanding of the differences between Japanese and Indian corporate traditions in distinct institutional and economic context and (c) an interface of Indian and Japanese management systems and its influence on the effective corporate response vis-a-vis organizational design and human resource interventions.

The Indian Economy

India is the second most populated country in the world after China. Over 1.02 billion people (*The Census of India, 2001*) live in 3,288,000 square kilometers resulting in a high density of over 324 persons per square kilometer. About 54 percent of the land is used for agriculture and 20 percent has forest coverage. Only 28 percent of the population lives in urban areas. Around 65 percent of the total population is literate. About 44.2 percent of the population is the income poverty line. The per capita income stood at $453 in the year 2000.

At the time of independence in 1947, India had very limited industrial activities which were confined mostly to jute, textile and open coal mining. Within 55 years of achieving independence, India today is within the tenth largest industrial economies, third in the number of skilled manpower and among the five largest agricultural economies in the world. It has one of the largest pools of entrepreneurial, managerial, scientific and technical manpower. It is one of the world's leaders in IT, nuclear, space satellite and rocket technologies. Apart from the progress in agriculture, science and technology, other important accomplishments include railways, telecommunications and power generation.

India's external trade includes exports covering over 7,500 commodities to about 190 countries and import of 6,000 commodities from 140 countries. India's overall manufacturing productivity is perhaps a tenth of the world's average. Its cement and steel plants again on an average, consume twice the fuel per ton as to the Japanese plants (Sharma, Nair and Sunny, 2000). India has been growing for the past 20 years at about 6 percent per annum (World Bank, 2001).

India opted for planned economic growth through Five-Year Plans starting from 1950. In order to build up an industrial base, the government policy encouraged imports of western technology and capital in the first phase of development (1950–1960). As industrial activities increased and new enterprises sprung up, the government felt the need to protect them and hence a restrictive, regulated second phase began (1968–1979). However, as the Indian economy grew and matured, a phase of gradual liberalization was initiated in the 1980s in which the government decided to modernize plants and equipment through liberalized imports of capital goods and technology, to gradually reduce import restrictions and tariffs, and to invite multinationals to create a competitive market economy. In 1991, through its landmark *New Economic Policy* the government abolished industrial licensing in all industries (except in 18 strategic industries), allowed more than 50 percent equity participation, and actively solicited foreign investment.

The *New Economic Policy* (1991) truly started the liberalization of the Indian economy. Khandwalla (2002) explains the components of liberalization as a process of macro-economic stabilization (devaluation of the currency, reducing fiscal deficit, reducing government expenditure, reduction of some subsidies, controlling inflation), phased deregulation and elimination of license regime to bring in competition, opening of the economy to private investment, rationalization of tax structure, liberalization of capital markets, increase functioning autonomy of state owned enterprises, implementation of safety nets for those hurt by structural adjustments and phased reduction in import duties (from an average of 100 percent in 1991 to about a third of this by 2000–2001). In addition, overseas investments by Indian firms have been liberalized. There has also been rationalization of taxes, selective and phased lowering of excise duties and enforcement of international standard accounting norms. The government also stepped up investment in infrastructure and human resource development. A recently conducted study of Indian corporates (Som, 2002) reveals that out of eight items of rated change in the business environment over the past five years, the four largest perceived changes were: greater turbulence in the product market environment characterized by many unexpected changes, more intense competition, greater buoyancy and growth potential, and greater requirements for technological innovation.

Indian Economy's Response to Liberalization

The Indian economy's response to liberalization and structural adjustment appears, by and large, to be effective (Khandwalla, 2002). Exports in 2000 increased by 150 percent in dollar terms compared to 1991. Private foreign direct investment, about US$ 160 m in 1991, has risen to about US$ 2 bn in 2001. Foreign collaboration approvals increased by 2.3 times from 700 during 1980–1990 to 1,600 in 1991–1995. Industrial production doubled during 1991–2000 (Reserve Bank of India, 2002: 56–57). The public sector too increased its profitability. The manufacturing sector has seen increasing FDI in the automobile, electronic consumer goods, food, cosmetics and IT hardware industries. The services sector has emerged as a dynamic growth sector with multinational corporations (MNCs) opening up subsidiaries in industries like IT software, banking, consultancy and merchandising.

Corporates have also elicited greater attention to productivity, quality of products and processes, operating efficiency and customer needs. Many corporates have utilized business process reengineering, quality circles and ISO certification. There were barely 10 ISO 9000 certifications in 1990, which rose to 800 in 1995 and could reach 2,500 in 2003. There were virtually no private companies in 1991 that could claim to be the largest in the world in a specific product line. But by 1995, there were atleast fifteen Indian companies that were already one of the five largest in the world or were expected to be so shortly in specific product lines. By 1993, there were 619 foreign companies operating in India and 592 Indian companies with investment abroad.

Earlier technological sophistication amounted mostly to getting foreign technical collaborations with a firm from a developed economy like Japan, with a modest export effort. Now not only the numbers of foreign technical collaborations gone up, but corporate exports have risen sharply, from 4.5 percent in 1990 to 6.4 percent sales in 1993 (Khandwalla, 2002). The corporate response of India's liberalization has been in the form of Indian companies buying foreign firms, large joint ventures with MNCs, global marketing, raising of finance overseas etc. Mergers and acquisitions have sharply increased, from 2 in 1992 to 97 in 1997. A recently concluded study of 54 Indian corporates indicates that over the past five years, 74 percent reported change in their business focus, 69 percent reported a new product/market strategy, 61 percent reported significant outsourcing and 54 percent reported engaging in joint ventures (Som, 2002).

2. Literature Review and Conceptual Framework

Economic liberalization, on the one hand intensifies competition and on the other opens up many opportunities for growth (Khandwalla, 2002; Som, 2002). With an increasing number and size of FDI ventures, Indian organizations increasingly adapted the management models of the foreign collaborators together with their capital and technology. These created tensions and conflicts in relationships sometimes disrupting the alliance. Some examples of failed IJVs are Procter & Gamble with Godrej, Lufthansa with Modi, LG Electronics with C. K. Birla, Toyota with DCM, Chrysler with Mahindra & Mahindra (Business Today, December 22, 1996—January 13, 1997).

In order to survive a hyper-competitive environment and to create an aligned, orchestrated, system-wide change in strategy, structure, systems, management style, corporate culture, vision, shared values, people and skill-set, organizations started to redesign themselves (Som, 2002; Khandwalla, 2002). The major reason for the redesign of the organizations stems from unsatisfactory corporate structure, management systems, cultural moorings and professional and employee oriented modes of management. With the redesigning, human resource management systems of the corporates are increasingly characterized by more emphasis on professionalism, skills development, incentives, accountability, flexibility, openness and rightsizing (Som, 2002). Most of the organizations involved the services of international consultants (Som, 2002).

IJVs are trying to formulate a closed hybrid model of HR systems, trying to shift from the original exportive model (Bird, Taylor and Beechler, 1998). The exportive model is characterized by parent company HRM philosophy, policies and practices, any attribution of management problems such as HRM, causes the search to be externally directed and sharing of innovations is unidirectional from the parent company to the overseas affiliate (Bird et al., 1998). Whereas, the closed hybrid model on the other hand is characterized by parent company HRM philosophy, policies and practices, attribution of problem is both externally and internally directed and there is low diffusion and uni-directional sharing of HRM innovations (Bird et al., 1998).

Figure 1 summarizes the model of an effective corporate management response of MNCs in general and IJVs in particular to liberalization.

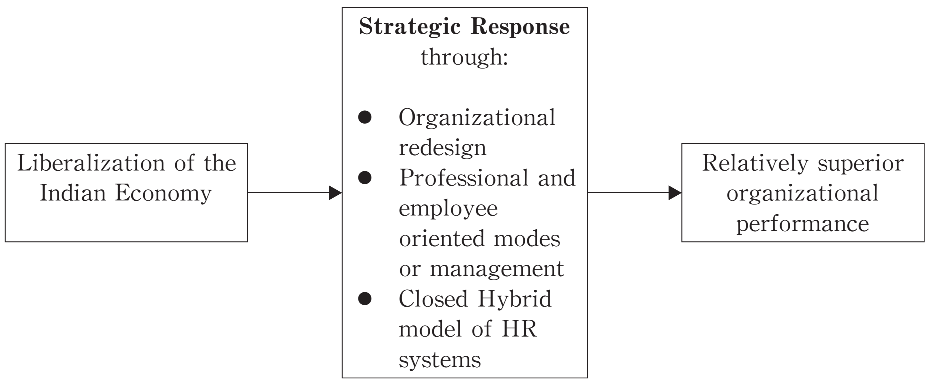

Figure 1 Economic Liberalization and Effective Corporate Response

Interface of Indian, Western and Japanese Modes of Management

There are a number of contemporary sources of Indian management systems (Sinha, 1997) some of which are (a) hierarchically arranging of ideas, persons, relationships and other tangible and intangible things (b) maintaining personalized relationships through different levels of networks (c) adopting a moralistic orientation to discharge professional duties and obligations to family, friends and relatives, and (d) maintaining harmony and tolerance among in-group members (Sinha, 1990). Together with this, two hundred years of colonialism has ingrained, a model of bureaucracy, ethos of mistrust and thereby strengthened the value of hierarchy by emphasizing highly centralized decision making, maintaining large power distance, and refusing to delegate authority to subordinates.

Liberalization opened the doors for foreign capital and technology and with this organizations started adopting to western management principles of professionalization, value achievement, advancement by performance rather than seniority, ability utilization and personal development. The reflections of the western management principles were in planning, monitoring, controlling, delegating and to achieve this end in setting up systems of recruitment, performance appraisal, training, transfer, promotion, grievance handling, communication, financial and IT management and so on. This interface between western and Indian management system led to the evolution of an hybrid management system which was transmitted through socialization process and sustained by social institutions whereas the western values were cultivated through management education, industrialized experience and job demands in work organizations (Virmani and Guptan, 1991).

Japanese organizations traditionally put a primary focus on HRM strategies ("humanware") that translate to an internal labor market, a company philosophy that expresses concern for employee needs and emphasis on co-operation and teamwork (Shimada and Macduffie, 1987) in a unique company environment that fosters "welfare corporatism" (Lincoln and Kalleberg, 1985; Morishima, 1992). These HRM strategies are reflected through management techniques of open, vertical channels of communications, job rotation, on-the-job training, a competitive appraisal system, emphasis on work groups, consultative decision making (such as the *ringi* system) and concern for employee. Morishima (1995) has described Japanese HRM as a system of four factors: long-term employment, internal training, employee involvement and evaluation based on 'ability' growth. Japanese organizations in their recruitment policy carefully screen candidates, mostly college graduates for life-type employment, so that new recruits' qualifications fit with the value system and corporate culture of the organization. Moreover, seniority (*nenko*)-based pay (Morishima, 1992), implicit performance evaluation, consensus style decision making (*nemawashi*), and a relatively small gap between white-collar and blue-collar workers in terms of benefits, salary and on-the-job perquisites (such as entertainment allowance, cafeteria, parking space, housing etc.) are practiced widely in Japanese organizations. These are the Japanese HRM practices that are transferred overseas (Beechler and Yang, 1994).

In the automobile industry, Japanese auto firms have historically focused on the features of production system with an independent relationship between production technologies and HRM. Japanese MNCs strategic goals of high market growth and profitability depend on producing high quality cars at lower prices. This was made possible by lowering inventory cost, low labor cost, and low defect rates which was highly dependent on intensive human control through active participation of employees. Thus to effectively exploit their technology, Japanese firms developed a HR system that focused on the tight screening of job candidates, a high degree of job security, and improving worker skill through on-the-job training programs, broad job structure, work teams, job rotation etc. (Shimada and Macduffie, 1987).

3. Methodology

Japanese management practices have received considerable attention during the 1980s and early 1990s due to Japan's meteoric success. That attention shifted in the last decade from what the Japanese were doing at home to what they are doing overseas (Bird and Beechler, 1995). The rapid and visible increase in Japanese FDI ventures in India lead us to have a closer look at the perceived successes of a number of visible Japanese firms or Japanese joint ventures. For example, Maruti Udyog Limited, the Suzuki joint venture, has been a focus of attention for both journalists and academicians (Som, 2002).

The choice of the automobile industry, especially the utility-car segment, was due to the fact that the sector has been going through intense competition with all the global players flocking to India. This industry has been witnessing intense price war and product—market differentiation (launch of new models—Tata-Indica, Hyundai-Santro, Daewoo-Matiz, Ford-Icon, Suzuki-Wagon R, Toyota—Qualis).

The methodology of this study is to focus in-depth on one organization. Yin's (1994) model has followed a holistic analysis of a wide range of variables and used multiple-case design (Eisenhardt, 1989) as it provides more scope for attempting generalization to a single-case setting. A deliberate choice was made to focus on depth rather than breadth (Mintzberg, 1979) keeping in mind that it is unrealistic to try to attempt both detailed, in-depth analyses of organizations and also look at a large sample of firms at the same time (Ulrich, 1997). Information was sought over a period of time, right from the beginning of necessity to change, the change process and the post change results. There were two data sources i.e. archival data and interviews with some key informants. Primary data was collected during the period of October 1999—July 2000. The interviews with executives lasted between thirty minutes to three hours depending on the availability and the willingness to share information. Multiple respondents enabled cross-checking of the data. Use of multiple informants also helped in identifying multiple perspectives and any differences of opinions within the organization.

4. Results

Background

Maruti Udyog was established as a Government Company in February 1981 with the objectives of modernizing the Indian automobile industry, producing fuel efficient vehicles to conserve scarce resources and producing indigenous utility-cars for the growing needs of the Indian population. A license and a joint venture agreement was signed with the Suzuki Motor Company of Japan in Oct 1983, by which Suzuki acquired 26 percent of the equity and agreed to provide the latest technology as well as Japanese management practices. Suzuki was preferred for the joint venture because of its track record in manufacturing and selling small cars all over the world. There was an option in the agreement to raise Suzuki's equity to 40 percent, which it exercised in 1987. Five years later, in 1992, Suzuki further increased its equity to 50 percent turning Maruti into a non-government organization managed on the lines of Japanese management practices.

Maruti's history of evolution can be examined in four phases: two phases during pre-liberalization period (1983–1986, 1986–1992) and two phases during post-liberalization period (1992–1997, 1997–2002), followed by the full privatization of Maruti in June 2003 with the launch of an initial public offering (IPO)[1].

The IJV started with the full support of the Government of India with a range of facilities such provision of land at Gurgaon, near New Delhi; tax relief in the initial years and bureaucratic shortcuts. The first phase started when Maruti rolled out its first car in December 1983. During the initial years Maruti had 883 employees, a capital of Rs. 607 mn and profit of Rs. 17 mn without any tax obligation. From such a modest start the company in just about a decade (beginning of second phase in 1992) had turned itself into an automobile giant capturing about 80 percent of the market share in India. Employees grew to 2,000 (end of first phase 1986), 3,900 (end of second phase 1992) and 5,700 in 1999. The profit after tax increased from Rs 18.67 mn in 1984 to Rs. 6,854.54 mn in 1998 but started declining during 1997–2001.

During the pre-liberalization period (1983–1992) a major source of Maruti's strength was the wholehearted willingness of the Government of India to subscribe to Suzuki's technology and the

1) Following the completion of the issue, the government's stake in the joint venture company with Suzuki Motor Company will drop from 45.8 percent to 20.8 percent, while Japan's largest mini-car manufacturer Suzuki will hold management control with a 54.2 percent stake. The IPO is through a book-building route, wherein 60 percent of the offer will be made to qualified institutional buyers on a discretionary basis, 15 percent will be allocated to non-institutional bidders, and the balance 25 percent will be allocated to retail investors.

principles and practices of Japanese management. Large number of Indian managers, supervisors and workers were regularly sent to the Suzuki plants in Japan for training. Batches of Japanese personnel came over to Maruti to train, supervise and manage. Maruti's style of management was essentially to follow Japanese management practices. The path to success (*Maruti at a Glance, 1996*) for Maruti was as follows: (a) teamwork and recognition that each employee's future growth and prosperity is totally dependent on the company's growth and prosperity (b) strict work discipline for individuals and the organization (c) constant efforts to increase the productivity of labor and capital (d) steady improvements in quality and reduction in costs (e) customer orientation (f) long-term objectives and policies with the confidence to realize the goals (g) respect of law, ethics and human beings. The "path to success" translated into practices that Maruti's culture approximated from the Japanese management practices.

Maruti adopted the norm of wearing a uniform of the same color and quality of the fabric for all its employees thus giving an identity. All the employees ate in the same canteen. They commuted in the same buses without any discrimination in seating arrangements. The employees followed the daily morning exercises as any Japanese company where punctuality became an ingrained habit. Employees reported early in shifts so that there was no time loss in-between shifts. Attendance approximated around 94–95 percent. The plant had an open office system and practiced on-the-job training, quality circles, kaizen activities, teamwork and job-rotation. Near-total transparency was introduced in the decision making process. There were laid-down norms, principles and procedures for group decision making. These practices were unheard of in other Indian organizations but they worked well in Maruti. During the pre-liberalization period the focus was solely on production. Employees were handsomely rewarded with increasing bonus as Maruti produced more and sold more in a seller's market commanding an almost monopoly situation.

Strategic Response and the Redesign Process

Maruti was the undisputed leader in the automobile utility-car segment sector, controlling about 84 percent of the market till 1998. With increasing competition from local players like Telco, Hindustan Motors, Mahindra & Mahindra and foreign players like Daweoo, PAL, Toyota, Ford, Mitsubishi, GM, the whole auto industry structure in India has changed in the last five years and resulted in the declining profits and market share for Maruti. At the same time the Indian government permitted foreign car producers to invest in the automobile sector and hold majority stakes.

In the wake of its diminishing profits and loss of market share, Maruti initiated strategic responses to cope with India's liberalization process and began to redesign itself to face competition in the Indian market. Consultancy firms such as AT Kearney & McKinsey, together with an internationally reputed OD consultant, Dr. Athreya, have been consulted on modes of strategy and organization development during the redesign process.

The redesign process saw Maruti complete a Rs. 4,000 mn expansion project which increased the total production capacity to over 370,000 vehicles per annum. Maruti executed a plan to launch new models for different segments of the market. In its redesign plan, Maruti, launches a new model every year, reduce production costs by achieving 85–90 percent indigenization for new models, revamp marketing by increasing the dealer network from 150 to 300 and focus on bulk institutional sales, bring down number of vendors and introduce competitive bidding.

Together with the redesign plan, there has been a shift in business focus of Maruti. When Maruti commanded the largest market share, business focus was to **"sell what we produce"**. The earlier focus of the whole organization was "production, production and production" but now the focus has shifted to "marketing and customer focus". This can be observed from the changes in *mission statement* of the organization:

1984: "Fuel efficient vehicle with latest technology".
1987: "Leader in domestic market and be among global players in the overseas market".
1997: "Creating customer delight and shareholders wealth".

Focus on customer care has become a key element for Maruti. Increasing Maruti service stations with the scope of one Maruti service station every 25 km on a highway. To increase its market share, Maruti launched new car models, concentrated on marketing and institutional sales. Institutional sales, which currently contributes to 7-8 percent of Maruti's total sales. Cost reduction and increasing operating efficiency were another redesign variable. Cost reduction is being achieved by reaching an indigenization level of 85-90 percent for all the models. This would save foreign currency and also stabilize prices that fluctuate with exchange rates.

However, change in the mindset was not as fast as required by the market. Maruti planned to reduce costs, increase productivity, quality and upgrade its technology (Euro I&II, MPFI). In addition, it followed a high volume production of about 400,000 vehicles/year, which entailed a smooth relationship between the workers and the managers. The work culture of the Japanese partner had been excellent and the management had tried to inculcate their best practices within the organization. Though management was keen to apply the best practices, there were cross-cultural, political and social issues that did not match with the Japanese culture. Employees were working hard and stuck to a high level of productivity during their eight-hour shift. But at the end of the shift, employees immediately dispersed. For the Indian context, this is a departure from the norm, as employees usually discuss about their workplace. When compared with the true Japanese system, work methods were replicated, but the respect and involvement in the organization, and the "family concept" of Japanese organization had not percolated in the Indian counterpart. Employees worked hard, were productive and were compensated accordingly. The salary was in fact the best in the industry, with very high bonus, that Maruti could afford to pay in a seller's market. Another important cultural constraint was that the Indian employees played safe and avoided risk. Managers followed whatever the top boss wanted them to do. They never used their discretion in areas where they had been delegated authority. Work was followed on the basis of laid-down procedures. In contrast, Maruti had imbibed a typical public sector culture. Maruti, did not follow the Japanese management system of group rewards but fostered an "audit" approach which did not take an overall view of one's performance but to located fault and mistakes which could be used against an individual. For example, if a manager had made 10 right decisions and 1 wrong decision, he was accountable for the wrong decision and did not get any credit for the right decisions. This lack of trust, according to some managers, prevented Maruti from improving its effectiveness.

One of the most important change within the organization during the post-liberalization period was a change in the leadership. Mr. Bhargava who had joined Maruti in July 1981 became the Managing Director (MD) in 1985 and stayed in the position till 1997. He believed in strict discipline. There was no scope for discussion, debate or questions. His long association with

Maruti and his single authority steered Maruti to achieve the phenomenal growth by integrating Japanese management practices. During this time, employees were made to work for higher productivity without questioning the decision making process. It was a seller's market and employees, though not motivated by way of participation, were motivated by the pay package that was linked to production-based performance system. With increasing sales every year, Maruti had little to worry till 1999. Post 1999, the market structure changed drastically. Just before this change, Maruti had wasted two crucial years (1996-1998) due to governmental interventions and negotiation with Suzuki of Japan about the break-up of the share holding pattern of the company. There was a change in leadership, Mr. Sato of Suzuki became the Chairman in June 1998, and the new Mr. J. Khatter was appointed as the new Joint MD. Khatter was a believer in consensus decision making and participative style of management.

As a result of the internal turmoil and the changes in the external environment, Maruti now faced a depleting market share, reducing profits, increase in inventory levels, which it had not faced in the last 18 years. Communication within the organization would have helped to clear doubts within the minds of the employees about the future direction of Maruti, but without a strong HRM and communication department, there was no such possibility. Maruti, historically, had a non-functional administrative HRM department and its role was restricted to administration and time keeping. There were no qualified and professional HRM managers or a division head in the department. Managers viewed the position in the HRM department as a punishment and an effective way of being sidelined. The departmental head of Finance was additionally responsible for the HRM division till 1999.

Post 1999 HRM for the first time started acting independently. This happened with the recruitment of professional HRM personnel and a new general manager of the HRM department. Managerial staff expected major changes to be undertaken by the new HRM department. They were expecting major decisions to be taken by HRM in terms of clearly defined responsibilities, job profile, simplicity in procedures and processes, clarity and transparency within the organization. Maruti now needed a proactive HRM. HRM initiatives such as career planning, extensive training programs, new performance management system, rightsizing mechanism such as voluntary retirement scheme (VRS) were put in place by redesigning the HRM department. The days of reactive role of HRM was over, when its function was to keep the employees happy with increasing bonuses every year.

Maruti is one of the best organizations in the automobile industry in India. It had given maximum benefit to its employees in terms of remuneration but employee satisfaction was low. The reason for low employee satisfaction was perhaps because the organization lacked human touch unlike the Japanese firms where investment in human relations is an inherent and long-term aspect. It followed a mechanical process focusing on production, increase in productivity, reducing cost, increasing quality and reducing inventory. Social security and employee welfare were of low priority in the organization. This suited Maruti well when it was the market leader and employees were happy with higher bonuses year after year. But with advent of competition, when bottomline was affected, people issues became critical.

The redesign process that Maruti initiated in 1998 has been successful. Maruti reported a profit after tax of Rs 1,464 mn, up by 40 percent over Rs 1,045 billion (year-on-year) and it declared a 30 percent dividend for the fiscal year ended 2002-2003. The IPO offering from Maruti Udyog opened for subscription in June 2003. The IPO was oversubscribed.

5. Discussion

This study provides insights regarding organizational activity in environments of uncertainty like that of liberalization. The contingency assumptions are two-fold. First, it is assumed that the selection of professionalized and employee oriented modes of management are determined by specific strategy a firm adopts, which is influenced by environmental constraints. Second, it is assumed that firms achieving a tighter fit between environmental constraints, strategic response and HRM actions will have relatively superior organizational performance than those who do not. Achieving a fit between environmental constraints, strategic requirements and HRM is not an easy task under normal circumstances. Under conditions of increased uncertainty, IJV faces even greater challenges. Cultural differences, regulatory differences, geographical distance, management practices all imbue the activities of environmental scanning, strategy formulation and policy implementation with substantial ambiguity. Achieving a fit under such conditions is likely to be simultaneously more important and more difficult to accomplish (Bird and Beechler, 1995).

Firms from countries with high uncertainty avoidance, like Japan (Hofstede, 1980) are more likely to transfer their philosophies, policies and practices, including that of HRM because the direct transfer of practices reduces uncertainty and risks. Similarly, one might expect that firms from countries with a high power distance may centralize control (i.e., global co-ordination) and therefore would be less likely to relinquish control (i.e., local responsiveness). Interestingly, previous studies have found that firms from Japan, which are high on uncertainty avoidance and medium on power distance (Hofstede, 1980) are more likely to transfer Japanese management systems to host countries and pay little attention to local conditions (Hiramoto, 1995; Rosenwig and Nohria, 1994, Ngo et al., 1998). This finding supports the IJV of Suzuki and Maruti Udyog Limited.

Maruti in the initial years, had exported and established Suzuki's philosophies, policies and practices including that of HRM. This was the exportive model (Bird et al., 1998). The approach had an implicit assumption that Suzuki's Japanese management practices were inherently more appropriate, if not superior to that of Indian approaches. When the exportive approach encountered HRM problems in 1997 due to deregulation, Maruti searched for external causes and concluded that it was not geared for hyper-competition. The sharing of innovative HRM practices was also unidirectional from Suzuki to Maruti. The diffusion was moderate and did not solve Maruti's dilemma. Organizational learning was low, cost was moderately high, co-ordination and integration was high but flexibility was constrained.

With the organizational redesign process, Maruti began to move from the exportive model to the closed hybrid model, characterized by an Maruti's reliance on the Suzuki template in the initial development but made subsequent efforts to adapt to local requirements. Maruti during the pre-liberalization process adapted the Japanese orientation of team building for effective performance. There was little clash between the indigenous and the Japanese management systems. Common canteen, office buses, uniforms along with morning exercises were initially resented, but were accepted and became the norms of the company, partly because of the nature of the IJV, and the consequent unequivocal policy decision to enforce them. The clash occurred because the Indian system was characterized by hierarchy, personalized relationships which resulted in a climate of distrust between management and the unions.

A complete transfer of the Japanese system without any modifications to suit the host country worked well in the seller's market, when employees bought off by higher salaries and bonuses. But the same system faced flak when the company faced multi corner competition and could not sustain the earlier levels of higher salaries and bonuses. At this juncture, the need for incorporating indigenous character of the host country was felt and the HRM department an important role in the achieving this objective.

Maruti, under the new HR general manager, started the closed hybrid process of not slavishly attempting to replicate Suzuki's system, but rather base its system on the overall philosophy of Suzuki and over time adapting to the Indian policies and practices to suit the changing environment. As with closed hybrids, Maruti when initially encountered HRM problems, seeked external causes, however over time, Maruti accepted that some of their problems were caused by internal factors, and addressed them accordigly. This was done through the organizational redesign process. The organizational learning of Maruti was moderately successful, the cost was relatively inexpensive as Maruti had its strong Japanese practices to fall back upon. With the program of organizational redesign, rationalization of cost and enhanced productivity, Maruti bounced back to competition with 50.8 percent market share and 40 percent rise in profit for the FY2002-2003.

Morishima (1992) concludes that the style of management long associated with large Japanese firms-HRM policies that value employees and place priority on employee maintenance and development—also appears to be conducive to implementing changes in employment practices without strong employee opposition. Japanese employers are likely to be successful in reducing opposition to changes when their past HRM policies were based on elements of corporatist Japanese management styles. Japanese corporatist HRM policies appear to be instrumental not only in obtaining worker commitment but also in maintaining flexibility for management-initiated organizational change. This is now being practiced by Japanese organizations and was followed by Maruti which helped redesign itself efficiently with minimal loses.

Some advanced Japanese MNCs, such as Sony, Matsushita, Toyota, Toray, Omron, Yazaki have just begun to integrate career paths, including training and performance appraisal systems of both Japanese and non-Japanese staff, and have thus begun to construct the high-potential pool globally (Shiraki, 2002).

The findings of this study have implications for practitioners. The study suggests that in case of Maruti Udyog Limited, little thought was given to the need of aligning business strategy and professionalized HRM strategy as a mechanism of response to liberalization. The HRM department was seen as a "paper-pusher". Yet it is clear that aligning the professionalized management practices and HRM system towards a closed hybrid system which focused on long-term strategy of the company yielded benefit in terms of higher level of employee morale, longer employee tenure and lower turnover rates. This finds support in Bird and Beechler's (1994) study of sixty-four Japanese transnational corporations in the USA.

6. Conclusion

There are, inevitably, some limitations to this study. First, the analysis is based on a single case-study, and there is the problem of generalizability, particularly in view of the fact that Maruti is acknowledged as a successful organization. Second, through the qualitative techniques many of the dimensions investigated cannot be easily replicated. Third, not all relevant aspects of strategic response came through data collection; some themes, which were later found to be highly significant, only emerged by serendipity. These clearly need further, systematic, investigation. However, this paper has brought to light some important issues for those pursuing qualitative research in the area of IJVs.

A number of findings have emerged from this study. First, we have seen the effects of the macro phenomenon such as liberalization in an emerging country scenario. Second is the linkage of the macro phenomenon with that of the micro phenomenon such as the strategic response of the firm. Third, the evolution and the organizational redesign process of an IJV in an emerging country. Fourth, a hybrid model of HRM system as a strategic response that could probably blend with professional and employee oriented modes of management for relatively superior organizational performance.

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