Our labour market’s playing field is in the process of being levelled

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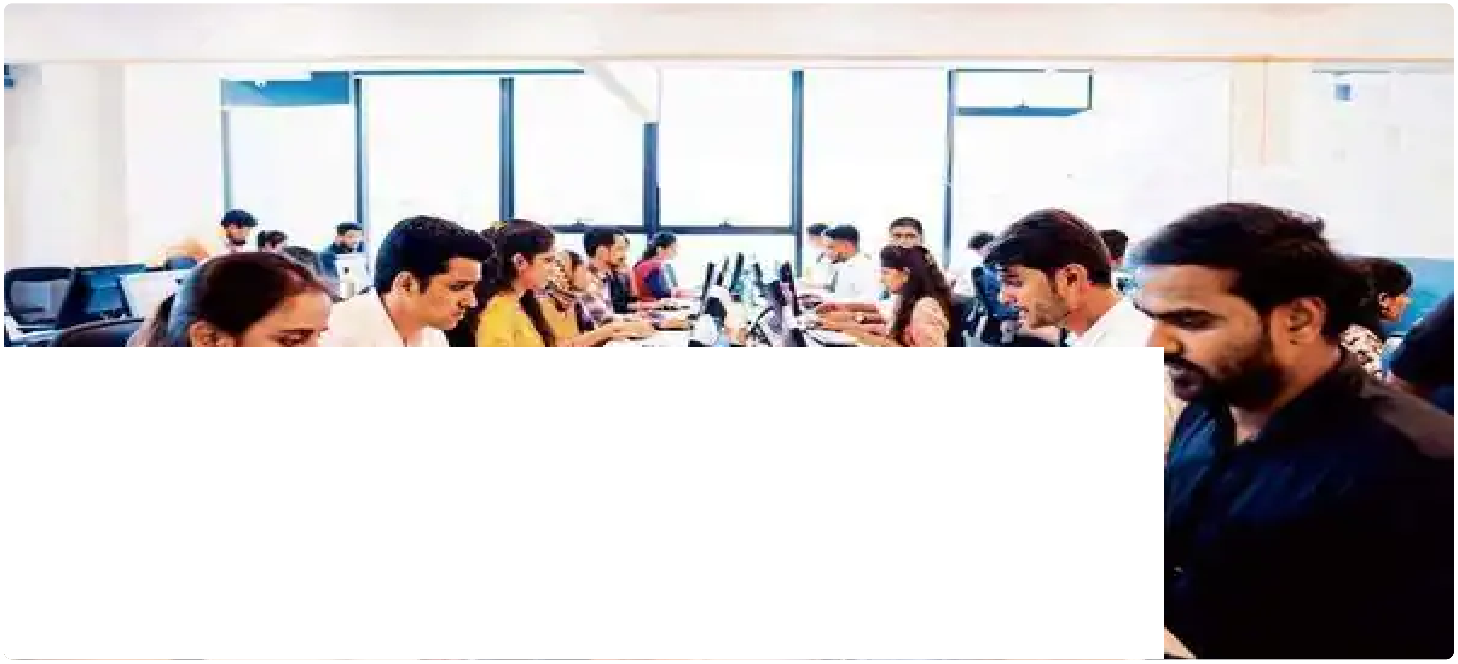

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SUMMARY
India Inc should be pleased by the clear diminishment of an unfair recruitment advantage held by multinational companies

The traditional unfair labour market advantage of multinational companies in India showed up in many ways: ‘Day 0’ status for campus recruitment at IIMs, deferential press interviews of visiting CEOs, and the universal middle-class parents’ sigh of relief, “Our child is finally settled, she’s got a job with a multinational." While some multinationals are still attractive employers, India’s talent no longer believes foreign companies are the best option for learning, compensation and careers. This cognitive shift is a gift for corporate India because talent is the only sustainable strategic advantage.

The traditional unfair labour-market MNC advantage was not irrational or racist; under the licence raj, the primary technology (and capability) of many Indian companies was their regulatory connectivity, while most multinationals continued to be meritocracies whose capital, technology and product investments bred higher productivity and wages. More importantly, they were meritocracies —performance, potential and hard work mattered more than a surname—that renewed and healed themselves with term limits, job rotations and age limits. An unintended consequence of the forced domestic stock market listing for many multinationals in the early 1970s ensured more management and business plan localization for Indian units over other global subsidiaries.

The 1991 reforms were not a passing shower, but a form of business climate change for Indian entrepreneurs; the end of government licences that created hostages instead of clients meant massive changes in how they staffed, financed and governed their businesses. The considerable churn in stock market capitalization over the last 33 years shows that most incumbents didn't change; their decline was not murder, in that sense, but suicide. The increased sophistication of global and local investors began to reward incumbents like Tata, Reliance and Mahindra, which changed while catalysing a new breed of Indian companies.

These Indian entrepreneurs distinguished between their shareholder, board member and executive role in companies, and recognized that it is better to be wealthy than to be the king. They realized that carefully curating and creating a diverse and influential board of directors meant having hearing aids, seat belts and safety mirrors that improved performance, avoided mistakes and attracted talent. They accepted that the combination of a 10-year strategy (not 10 single-year strategies), a fortress balance sheet and a talent-attracting meritocracy is an unfair advantage in a fast-moving world. They also executed mindful strategies that offered employees vision, purpose, meritocracy and growth. Vision is vital because huge addressable markets and ambitions offer more learning. Purpose is essential because impactful and ethical companies live longer, and the full value of companies in India takes decades to reach. A hierarchical workplace—what sociologists call a steep authority gradient—is unattractive because meritocracies are more embracing of diversity. Growth is essential because lifelong learning is critical to handling 50-year careers; our professional education comes from roles, mentors and experience in dynamic workplaces.

These changes started in technology (Infosys, TCS, HCL, etc) but soon spread to finance (HDFC, ICICI, Axis) and consumer goods (Marico, Dabur, Britannia, etc). The stock market responded; the combination of growth and governance led to a massive expansion in the price-to-earnings multiples of their stocks. This change found five allies. First was a self-goal by multinationals shifting from the European model (country head as CEO) to the American model (country head as ambassador with global vertical reporting) that made multinational CXO talent much more likely to look out for excitement and empowerment. Second, institutionally funded startups (Flipkart, Ola, Ather, Nyka, etc) attracted experienced managers with attractive equity upsides for success. Third, rising prosperity made self-expression a priority, and a career became an individual, not a family decision. Fourth, our society, economy and citizens realized we don't have to be Western to be modern and are more confident and secure about our future and identity. Finally, new narratives about Indian business reinforced poet Maya Angelou's view that the universe isn't made of atoms but stories. Excellent new business books about 'India' created role models by chronicling success at Flipkart, Royal Enfield, Marico, Sun Pharma, Tata, etc. This chronicling is now delightfully extending to 'Bharat'; this year's winner of the Gaja Capital Business book prize, Broke to Breakthrough by Harish Damodaran, chronicles R.G Chandramogan and his company Hatsun Dairy.

Sometime in the future, we will be forced to ponder 'What is an Indian company?' Is Tata Nexon an Indian car despite imported components? Is HDFC an Indian bank despite being majority-owned by foreigners? Does Suzuki making more than half its cars in India make it an Indian company? Does Lupin, with just 30% of its revenues from India, still qualify as an Indian company? Does Satya Nadella, as CEO, make Microsoft an Indian company? Does IBM having more employees in India than in the US make it an Indian company? Does Hindustan Unilever's enormous stock market value make Unilever plc an Indian company? Soon, it will no longer be simple, helpful or insightful to classify company nationality by profits, revenues, management, shareholding, supply chains or headcount.

Consequently, the diminishing labour market advantage of multinational companies will become irrelevant; the best talent will go to the most impactful, exciting and fast-growing companies. But for now, the levelling of the playing field in hiring talent is a gift being leveraged by many Indian companies. It will help make India stronger, bigger and faster. May their tribe grow.

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