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Aditya Birla group

Executive Summary

The Aditya Birla Group is one of India's leading business groups that is also renowned for its adherence to strict traditional values. The company has followed a strategy of diversification and dilution of risk since its inception and continues to do so today. While its approach towards HR and personnel management was highly orthodox, the company is now in a state of a conscious change towards a more liberal HRM policy, encouraging innovation, empowerment and entrepreneurship amongst its workforce. This paper traces the strategy of diversification followed by the AV Birla Group and its current product portfolio. It will also analyze the developments in HRM under the leadership of KM Birla, the current chairman of the group.

Global Vision: Indian Values – Aditya Birla Group

Introduction

The Birla Group is an Indian conglomerate that was established over 140 years ago by a family belonging to the traditional 'marwari' sect. Founded by Ghanashyam Das Birla, and currently being led by his great grandson, Kumar Mangalam Birla, the group has undergone massive diversification for over two decades. During the 1960s, when Indian markets were closed and local corporations were greatly encouraged the group consolidated its business domestically under the leadership of GD Birla. After the liberalization of the market during the 1970s and 1980s, the group focused its expansion in South East Asian nations under Aditya Vikram Birla. However, it was only after drastic privatization of the economy during the

1990s that the AV Birla group witnessed the most intense diversification in the domestic as well as global markets. Kumar Managalam Birla, AV Birla's son, took over the reins of the company in November 1995, after the sudden death of his father. The group has grown by over 200% since .

However, massive diversification and rapid global expansion has led to several challenges in terms of Human resource management and organizational culture. Having being born and raised in a highly orthodox, vegetarian family, KM Birla has admitted that the ' cultural filter' that his upbringing has instilled in him does, at times, stand in the way of logical approaches towards HRM . Despite having a globalized presence, the company remains at the crossroads of traditional Indian business management and modern people driven, liberal models.

Growth Strategy and Business Portfolio

The AV Birla group holds the major part of the overall business owned by the Birla family. The group has a diverse product portfolio that includes copper, aluminium, steel garments and fabrics, rayon grade pulp, viscose staple fibre, cement, and chemicals. It also boasts a host of services such as mutual fund investments, insurance, telecommunications, retailing, and other financial services . The largest companies within the group are Hindalco, Aditya Birla Nuvo, and Grasim. Beginning with operations limited to India, the group today boasts of a presence in twenty five countries including UK, US, Germany, France, the United Arab Emirates, Korea, Australia, Thailand, Switzerland, Singapore and Hungary .

Grasim

The Birla Group began its businesses in 1870 by trading in jute and cotton in the Indian state of Rajasthan. Later, the company began jute mills in Calcutta - Now Kolkata - in Bengal. The group first established its holding in 1919. After India gained its independence, the Grasim weaving plant was established. Beginning with manufacturing textiles, the company diversified into viscose staple fibre or VSF, chemicals, cement and sponge iron. In 1958, Grasim added the highly lucrative and fast growing rayon fibre to its list of products thereby gaining an even stronger foothold in the textile and fabric industry. Grasim remains one of the AV Birla group's most profitable companies between a staggering 2000% growth in assets between 1989 and 2008 .

Hindalco

Until 1958, the Birla group had focused on diversifying within the textile industry. However with the aim to diluting risk, it established Hindalco with an aluminium production unit in Renukoot in the state of Uttar Pradesh. The company underwent a series of merger & Acquisitions that led to the addition of Birla Copper and Indal in India, and Mt. Gordon and Nifty copper mines in Australia. This was one of India's earliest foreign acquisitions and the making one of the nation's first multinational corporations or MNCs . Hindalco is the AV Birla Group's flagship metal business. Between 1989 and 2008, the company's asset based had grown by a mammoth 8200%, from INR 377 crore to nearly INR 31, 000 crore. In 2007, Hindalco undertook a major Merger & Acquisition deal by taking over Novelis, the largest producer of product in Asia, South America and Europe. According to its management,,

Hindalco focuses in a downstream strategy of diversification and the acquisition of Novelis primarily a downstream product company, was in keeping with this strategy. The acquisition boosted Hindalco's turnover to USD 15.85 billion, placing it in the Fortune 500 list .

AV Nuvo

AV Nuvo has possibly the most diverse portfolio of all the companies within the AV Birla group. As the group's initiative to diversify into the lucrative services sector, the company's businesses include telecommunications, mutual funds, insurance, other financial services, retail and export. Between 1989 and 2008, the company's assets grew by 1500% from INR 503 crore to over INR 7,500 crore . The company's flagship telecommunication business, Idea Cellular was launched in 1998 in collaboration with AT&T . One of the first diversification initiatives undertaken by KM Birla, after suffering losses for its initial seven year run, its net profit rose dramatically to INR 1,044 crore in 2008.

International Expansion

In the international sphere, AV Birla group launched Indo Thai Synthetics in 1969 which was based out of Thailand. The company is one of the world's leading suppliers of raw materials to the fabric manufacturing industry in over 30 countries including the US, France, Spain, Germany, Belgium, Brazil, Canada, South Korea, Hong Kong and Italy .

In all, the AV Birla group has shown a consistent eye for not only identifying emerging markets, but also tapping into them in a cautious yet effective manner. By intelligently investing a portfolio that spans industries and

geographies, the group has been able to spread its risks and has attained a steady growth.

Personnel and Culture

The AV Group has exhibited a closed culture wherein the top management has significantly been recruited from the ' marwari' sect of Rajasthan. Interpersonal trust plays a crucial role in addition to experience and competency. Detailed discussions over a candidate's family background, cultural origins and value systems formed major part of recruitment interviews . However, as the group began to diversify its portfolio, expanding exponentially on a national and international level, belonging to a particular sect was no longer a prerequisite for employment in the group. The focus has since shifted towards competency and knowledge. However, the great emphasis on strong cultural values and ethical beliefs still remains a part of the groups organizational DNA. KM Birla initiated this transformation by first appointing Santrupt Misra to head the AV Birla groups HR department with the objective of revising its policies to regain the faith of employees and facilitate growth in the global arena .

Changing Times in HR

Under the leadership of Kumar Managala Birla, the AV Birla group has undergone a conscious, gradual change in HR practices and organizational culture and has been rated as one of the top 20 employers in Asia, ranking number 2 in India by Hewitt in 2011 . The group leverages its human resource system to encourage innovation, initiative, empowerment and collaboration amongst its employees . Career progression within the

organization is based on merit and performance and is guided by three key factors, namely: a) continuous learning, b) performance management, and c) organizational renewal. The group has a dedicated learning centre named ' Gyanodaya' that disseminates industry best practices and latest developments in technology and methodologies to employees across the companies of the group . The group also encourage the entrepreneurial spirit by creating avenues of knowledge sharing collaboration and an overall work environment that promotes innovation .

In an interview for McKinsey & Co., Misra highlighted that the group seeks to bring about cultural collaboration by fostering acceptance of diversity and respect for the uniqueness of cultures. The company honors exemplary performances, whether monetary or non-monetary in nature . As the group increases its global reach employees are often required to travel to foreign branches. In order to acquaint them with the cultures of the locations that they will be travelling to, the group organizes training sessions to bring about cultural awareness and sensitivity. This multicultural aspect of organizational culture will remain a focus area as the group continues to diversify and expand its operations at a global level .

KM Birla has been instrumental in bringing about this change from an ethnocentric strategy of HR to a multicultural approach. This can be attributed to the fact that the turnover of the group have increased by over 500% in the very first 10 years of KM Birla's leadership. Being educated at the London School of Business and having witnessed firsthand the changing face of HR in the Western world, KM Birla recognized and acknowledged the need for a fundamental shift in the HR policies of the group it were to

compete and grow in the global arena . However, the change has been gradual, and not always easy for the leader to implement. As he himself confessed, his traditional upbringing and the family's dedication towards the Marwari sect has been a major influence on his life and he often finds it challenging to implement changes that go against the practices being followed by the group for generations .

Conclusion

The Aditya Birla group has displayed a fine history of intelligent diversification and expansion of businesses in order to capitalize on emerging markets in India as well as across the globe. It has effectively leveraged dilution of risks by branching out into a multitude of industries through a series of mergers and acquisitions that has further consolidated its position as one of the leading business groups in India and has won several of the group's companies a place in the global Fortune 500 list. The group had been focused on recruiting people from a defined sect of people sharing the ethical values being held by the owning family. However, under the leadership of KM Birla and the broad perspective of Santrupt Misra, the company has adopted a more liberal, multicultural approach towards the recruitment and training of its personnel.

Recommendations

While the AV Birla Group's diversification strategy has enabled it to hold its place amongst the top Indian conglomerates, it has not been able to capitalize on developments in emerging markets and technologies.

Leveraging these changes, contemporaries such as Tata have formed a

strong foothold in international business. The AV Birla has been slow in entering even upcoming domestic markets. For example, by the time the group launched Idea cellular, the market already had well established competitors such as Airtel and Vodafone, Idea did exist as AT&T long before its competitors, it failed to capitalize on this heads start by not taking a more consumer centric approach. The result was 7 years of losses before the company finally turned its approach around. It is hence recommended that the AV Birla Group becomes more open to cautious risk taking.

In terms of its approach towards HR practices too, the AV Birla Group has been slow to adapt to the need for change. Although KM Birla has been at the helm of the group for nearly two decades now, only recently has he started allowing changes at the base level of HRM. For example, the company still allows the serving of only vegetarian food in its canteens. Although the focus on innovation, career growth, and empowerment has been woven into the organization's DNA, the culture is still considerably closed. Considering that the current and upcoming generation of youth is more accustomed to and expect a liberal work environment, it is recommended that the AV Birla Group adopt smaller changes in the work environment that will enable it to adhere to its Indian values yet offer an acceptable degree of comfort to its employees.

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