

Silvio napoli at schindler india management essay



**ASSIGN
BUSTER**

Schindler, a Swiss elevator company, had decided to develop and grow its international market share by planting a fully owned subsidiary in India. Its primary goals were to achieve 50 orders in its first year and break even after four years of trading. It also planned to win 20% of the market share inside of 5 years. Silvio Napoli, had been carefully selected as he was the author of the business plan which had documented this take-off. The mindset was that Silvio could replicate his winning Swatch strategy in a rising market that had strong growth prospects.

The two key elements of his business plan strategy was (a) the introduction of a line of standardised and non-customised S001 and S003 elevators and (b) the local supply of materials and components. It had been eight months since he took up office and there hadn't been a single sale. Things had gone pear - shaped frustrating Silvio as they had hindered his attainment of the targets set for him. Firstly, selling non-standard elevators in India was myopic where customised elevators were critical to new entrant strategies. Secondly, his strategic expansion highlighted cost reduction instead of focusing on product customisation. Thirdly, communication problems and lack of vital support beleaguered the new low-cost subsidiary from its parent company. Finally, it appears personnel were not " listening".

Introduction

The Schindler dynasty had been established 1874 in Switzerland by Robert Schindler. Fifteen years later they were manufacturing elevators. The current successor was a fourth generation Schindler who had chosen to change the company's cultural orientation from an engineering - based manufacturing model to a customer - centric service company.

Over time it had grown into a world class technology leader in elevators and at the time of study was second to none in the production of escalators worldwide. With such accolades it was amazing that it had no operations of its own in the second fastest growing market in Asia – India. Schindler had collaborated with a couple of companies to sell its elevators in this market but terminated both agreements due to irreconcilable differences. So, after a long and drawn experience in the Indian market without much success, Schindler has now concluded its best option would be to utilise a Greenfield strategy. This would offer lower risks and higher control. The time was ripe, as in early 1990's India's economic liberalisation was designed to welcome international competition and foreign investment .

In line with this market entry strategy the corporate executive committee appointed Silvio Napoli to head the launch into India. Their decision was based on Silvio's strong knowledge of the project derived from the various assignments he had undertaken for them. Other factors swung in his favour including his trustworthiness, flexibility, and more to the point, who was better qualified to realize the business plan than, him, the originator?

The strategic implementation of the business plan was not as easy as anticipated. Whilst Silvio's myopic vision may be partially blamed he cannot be impugned for other factors beyond his control. This report seeks to clearly show on conclusion that Silvio Napoli was suitable for the General Managers job. It evaluates his first seven months in this position as a leader and offers advice on resolving the challenges and issues that threaten to derail his thorough business plan. Finally, it will provide recommendations to Silvio

Napoli for rectification of operational dysfunction and addresses actions Luc Bonnard should take with Silvio to move forward.

Silvio Napoli and his Leadership Style

Silvio comes across as a young dynamic leader, a company man at that, who leads from the front. Having graduated from Harvard with an MBA and his former semi – pro rugby play makes it feasible to say he was gutsy, energetic, well-disciplined and not averse to strong challenges. These leadership qualities were no doubt essential in taking, what his contemporaries called “ a high-risk decision” to spearhead a start – up in a cross – cultured environment like India.

His leadership style isn't democratic which would have suited the task in hand. It seems a hybrid between bureaucratic and laissez-faire with more of a slant towards the bureaucratic. Leaders exploit or employ different power bases. Silvio opted to use the power of position and control. A pedigree from Harvard, he would have known the best leadership style to suit the situation. It seems he wanted to retain responsibility rather than comprehensively delegate otherwise, probably, this style gave him increased control. Whilst it could be used to indicate poor leadership skills, the authors view is that he may have adopted this tight control style to assist in cost cutting and productivity. Different styles offer different degrees of advantages or disadvantages. A negative side of this mixture of leadership style is the blocked contact aspect which creates barriers to communication which can, as seen in the case, hinder success. This is a classic example of a company charging forward with an ill-fated product solely because staffs are afraid to pass on negative customer feedback messages. Getting no feedback,

positive or negative, should have set alarm bells ringing. At least positive feedbacks can be advantageous as they have a likelihood of producing increased returns. His hyper-focused work style would leave staff in unhealthy positions of weakness and demotivated. Leadership examination would be incomplete without considering the motivation of the leader or the role or motivations of their followers (Kellerman 2004).

The mixed views of his team sum him up. His subordinates see him as impulsive, hard-driving, impatient and over-communicative and angry when deadlines are not met. The author's view is that he is not that kind of leader. He has set high targets for himself and knows he will be able to get his staff to emulate him. It could be that as a first time foreign manager he wants to set the boundaries for his new team but has clearly not communicated it well. Another plausible reason may stem from a clash of cultures both national and organisational because these underpin the attitudes, values and beliefs of the staff. Such differences can create misunderstandings, conflicts and tensions.

Punctuality is important in Swiss culture where Silvio has begun his working life. However, in the host country the culture is a laid-back attitude. His contemporaries see him as focused, resolute and strong-headed. Such assertiveness does not help his team who are excellent world class professionals. This leader has a lot to learn. His actions suggest he has not quite understood the culture and the market he has been asked to tap into. To, make matters worse he's not ready or willing to change his views.

Silvio knows his weakness in relation to the survival of Schindler India, which is a good thing. He sees himself as a warrior with need to have monk tendencies. He knows his controlling nature requires an infusion with patience. Luc Bonnard sums it neatly when he advises him to work on his “monk part”. As Silvio is a fledgling GM his priorities need to be more relationship-oriented than task-oriented. Getting this issue right would reduce his problems dramatically.

Schindler’s Penetration into India

Alfred Schindler made an excellent choice of starting his own operation in India. His vision was that India would be testing ground for new products and if the project was a success it would be rolled out with modifications for various markets including China. His organisation had all the activities in the value chain (marketing, production, installation design and service) so having a subsidiary in India to design and test the market was a logical step of its evolution.

As mentioned earlier, Schindler India planned to use standardisation to penetrate the market quickly utilising economies of scale. Their simple standard product lines had no allowances built in for customisation. It was strangely in direct contrast with the usual *modus operandi* employed by other Schindler subsidiaries and, in fact, their competitors who also had more product lines. Instead of using Schindler’s successful strategy of offering custom equipment, they chose this entry method. Furthermore, to cut costs it would subcontract the manufacturing of the bulk of its component to local suppliers with the rest being supplied through its European counterparts.

Many successful companies entering India create long term investments and a strong organisation obligation by assigning senior executives to work with established local personnel. Conquering this market would require recognition of India's changing elevator landscape. Such knowledge would be instrumental in considering the next course of action where products can be tailored to budgets and tastes of the consumer base. To capture their custom and wallets successfully Schindler should adapt their business model to local environments.

Schindler India's Management Team

Silvio has carefully selected from a set of personnel which have been recommended from a top recruitment firm. His core team were adept in their fields. Silvio's "real world" experience on the platform of international trade is almost non-existent. One would argue that Silvio made up for this deficiency by the calibre of personnel he hired to make up his management team. He realised he was out of his comfort zone in India so he hired people that would complement his own weaknesses. Porter (1996) affirms it is possible to improve operational effectiveness by performing similar activities better than rivals through efficiency. It may be that he strategically hired the two people from Otis to "pick their brains" and share ideas to achieve this goal.

Schindler's Key Problems

The first error which snowballed into other areas was the decision to use the "swatch" plans of low-cost entry strategy to conquer India. The success of the low-end Swatch watches had impressed Alfred Schindler he

commissioned Silvio to see if he could imitate their low-cost production approach. A big mistake!!!

Schindler have always their markets and customers making them number one worldwide allowing them to maintain their strong position in the escalator market. Schindler didn't need to reinvent the wheel in India. The products were not meeting the needs of the market; as could be seen by their voting with their wallets. Drucker (1954) asserts "there is only one valid definition of business purpose: to create a customer." Disregarding the opinions of the potential customer can be destructive. The choice as to how escalators should be sold should really be down to the market.

Silvio's strong-headedness and single mindedness, impatience and over communicative tendencies could breed foes or disgruntled subordinates and jealous colleagues. A variety of internal and external forces influence employee behaviour. Fig 1 shows the impact of top management behaviour and other forces on employees.

Culled from Performance Measurement & Management Control

Fig 1. Forces influencing employee behaviour

Another misaligned judgment is seen in how the Schindler India's cost structures were developed. The strategy failed to take into account the corporate cost structures were based on a customisation model. It subsequently backfired as it meant he had to revise pricing for elevators to a point where building them would be sustainable.

Increased costs sent Silvio's budget rocketing. The unforeseen and unfavourable exchange rate hikes and hefty increase from 22% to 55% in duties created another problem. The increase in duty and custom tariffs were on the table. He just hadn't thought it through thoroughly. Likewise the increase in transfer pricing. Shipping the sub-assembly products become more expensive thus uneconomical and impractical. With his team, Silvio sought to find an alternate source locally to bypass the risen import duty. It took some time. Time which could have been utilised better if their European counterparts had warned them. This was a non-issue which could easily have been avoided.

Silvio had to with resistance on two fronts. The conflict on the European subsidiaries side was based on change. There was no synergy as both sides had different goals. To cap it all two members of his team had sold customised models.

Recommendations

Solving this problem will entail Silvio Napoli's re-evaluation of his strategy. Perhaps, even, he could opt for a new perspective. The swatch strategy is not compatible with the culture and the market they want to enter.

Customisation will improve sales and offer higher gross margins.

He should focus on orchestrating a new strategy for Schindler and its marketing of escalators in India. This means taking notice of what the customers want as opposed to what his Business plan says. Whatever strategy he chooses will rely heavily on quality business processes and systems. It will rely on synergy which may require training of personnel.

To carry out any strategy would require further investment. This investment would be to cover some / all of the following options. One of their major problems relate to customisation. It therefore seems fitting that customisation is adopted to secure targets. Silvio should not digress from product development as it would detract from meeting Alfred Schindler's "test - track" goals. Product development using latest technologies would allow them to stay at the forefront of their game and allow them to transform their vision into reality. The provision of a factory for these processes would be essential.

Greenfield operations are particularly noted for the need for recruitment, management and training of local employees. Silvio organised some night-time training for his staff but he, as an expatriate, was not given cultural training. This would have alerted for example him to how cultures communicate differently through ' silent language'. Being " lonely in the middle" is characteristic of an expatriate who has superficial familiarity of a territory and lacks cultural understanding. In such instances the local workforce manages operations. So his training will need to be done sooner than later. This will enable him to manage as he should as the current feeling of being in " full control" is illusory.

Schindler must consider a merger with a local competitor to further improve local knowledge, offer an established customer base, and giving them access to local plant production units.

Alfred Schindler needs to iron out a few issues relating to the structure of the new subsidiary in relation to Head Office. At the moment there uncertainty

as to whether head office decides all global policy or if this Silvio has a say, or indeed if strategically the subsidiary operates autonomously. This uncertainty extends to whether Silvio's subsidiary has been set up to access and evaluate long term opportunities in the region.

He would also need to address cross-cultural management competencies. He will need to decide how various subsidiaries relate to each other. He will need to know if employees in his multinational teams share similar assumptions and causal relationships. A strong memo is required to the various branches to enforce cooperation. Coming from the CEO it will reshape the negative culture.

In dealing with the non-standard glass elevator issue Silvio should be customer- centric and accept the order. It would reflect well and possibly give him a foothold to enter an otherwise dominated market if his company forward a superb service. Customers networking have been known to make or break companies.

Again, the lack of support from his European counterparts should be reported to the CEO as it will continue to bug his strategy if he lets it fester. The transfer price issue and the lack of technical cooperation are detrimental to the organisation as a whole. It has far-reaching consequences that cannot be overlooked. A key component of his business model called for the outsourcing of manufacturing to Indian companies to give it the edge in the market through its cost differentiation. But if the supply of technical information is being withheld and transfer pricing is not being honoured then Alfred will need to know. Such Petty squabbles may ruin Schindler India

especially if it fails to meet its targets constantly. As there's a lot of reverence for Alfred, his involvement could put Silvio's backslide into reverse to progress and ultimately hit his set target.

Conclusion

Strategies are critical factors for the success and maintenance of competitiveness in any firm. All strategic components are vital, no matter how trivial, as all have impact on the implementation.

Understanding the complexities of strategies for entering the Indian market was a tough lesson for Silvio who subsequently discovered planning and implementing the initial plans were different, especially where a lacking of inter-cultural competency and communication problems collided to misalign the strategy. His real-world experience to appreciate and recognise these threats were limited but these should in no way negate his qualification to manage the subsidiary in India. He's the first to admit that the manager "would be key to the success of the business plan" and Alfred Schindler may have understood the situation and his company better when he predicted Silvio would "feel what it means to be in a hostile environment where nothing works as it should."

His first seven months may have been a painful lesson. Silvio has had to learn the hard way. It must be said these experiences have made him a better GM. He has made some positive strides since he took over. Juggling both family relocation and building corporate subsidiaries was not planned well. He should have focussed on one before the other as he wore himself out. Nonetheless, he had opened two branches, hired the right calibre of

people, especially as they were locals. From day one, he had positively tried to elicit commitment to his business plan. His decision to offer strictly standardised products without customisation was irrational especially in the face of customer feedback which indicated otherwise. Silvio should take time to reflect and reassess his business model with his team taking on board their views. He has failed this far because of his inflexibility and his failure to listen.