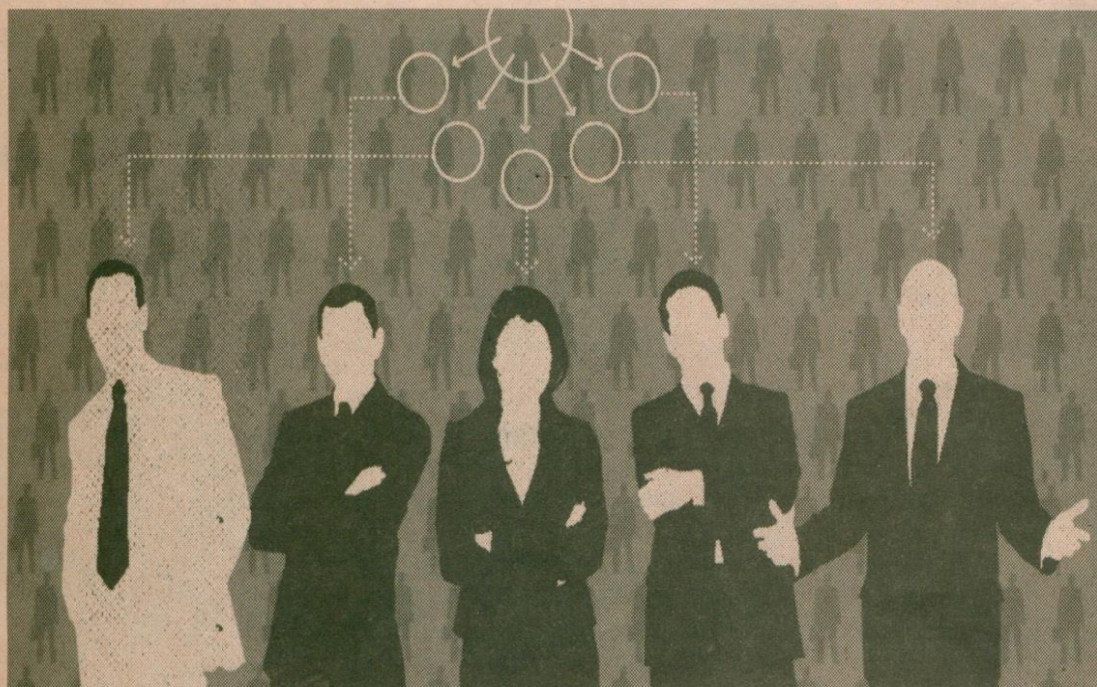


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Professional manager, businessman...

Mapping the Business Serengeti

The other day, when I was introduced at a conference as “a businessman”, I found myself squirming. I almost stood up to correct my introducer but a basic sense of diplomacy made me hesitate. Since that moment I have been introspecting why the term “businessman” seemed so much of a pejorative one to me. I realised that if I had been introduced as an “entrepreneur” I would have been okay. Was there something in my middle-class upbringing (my father and maternal grandfather were doctors) that made me squirm when called a businessman? Or was it my background as an IIM grad?

When the Indian Institutes of Management were founded in the 1960s, they were seen as a solution to the shortage of “managers” in the emerging Indian industrial landscape, composed then of public sector giants such as Bharat Heavy Electricals, Hindustan Machine Tools, and a smattering of private sector companies such as Hindustan Lever. Traditional family-owned and -run businesses and British colonial-era companies paid no attention to the IIMs (or, for that matter, to the IITs). The guiding mantra of this era was embodied in the 1967 book *The Professional Manager* by Douglas McGregor of the MIT’s Sloan School of Management (in fact, Prof McGregor briefly taught at IIM Calcutta). The Sloan School itself was named after Alfred P Sloan, the long-time head of General Motors, an industrial giant.

Sloan himself wrote a book called *My Years with General Motors*, which described in great detail how he turned around General Motors (GM) in the 1920s, then struggling with the chaos that was left by its founder Will Durant. When Sloan took over the firm in the early 1920s, General Motors was truly a mess.

Yet in a mere dozen years, GM had established itself as the world’s premier automaker and America’s biggest employer. Sloan did this not by product innovation or engineering breakthroughs but by organising the business around its “professional managers”. The notion of the professional manager, well versed in the art of organisation processes, was born. The industrial giants of that era — the oil, steel, and automobile companies in the United States and then elsewhere — embraced the professional manager wholeheartedly. Business schools sprang up everywhere and India’s IIMs were a response in a similar vein.



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Inside business schools, such as the IIMs, the ideology was this: Professional managers, selected on merit from business management schools, would any day run these large enterprises more efficiently than members of the family owning the majority shares of the business. “Managing” meant delegating authority; centralised decision-making was seen as a holdover of the feudal era; the bureaucratic process-driven type of organisation

was seen as superior to all other forms of administration just as machine-based manufacturing was seen as superior to handicraft methods. The IIM curriculum was stuffed with courses that reflected this philosophy. And its students were supposed to go out and “modernise” India.

Business schools themselves are gently, if unconsciously, steering away from producing the professional manager and presenting their graduates as adept in analytical tools and skills. Part of the reason for this is the boom in demand for such mathematically adept analysts from Wall Street. This boom was driven by legislative measures in the United States and the UK that allowed deposit-taking banks

to enter riskier activities like investment banking, followed by the explosion in private equity in the same period when pensions plans and endowment funds were allowed to invest a small part of their trillion-dollar holdings in private equity and leveraged buy-out funds. The explosion in demand for analysts from investment banks and management consulting companies that these events created changed the face of business schools worldwide including the IIMs. The best-paying jobs were from then on in the financial services and management consulting industries.

But today when you flip through the pages of business publications or watch TV channels covering business news, the heroes again are business owners and their families. Even in apparently technocratic industries like information technology services and pharmaceuticals, sons (and daughters) have started appearing as successors to their fathers. The professional manager has started fading into the background.

Is this because India’s business giants are largely resource-based companies, in which the key to success is securing natural resources such as land, oil, or spectrum and not product innovation or business model innovation?

Entrepreneurs, professional managers, business analysts, businessmen, venture capitalists, and private equity managers are all denizens of the Business Serengeti. Which of these players come to the foreground and at what time seems to depend on what stage of evolution an industry is in. In its first stage, an industry needs to deal with the product creation risk — will this product (or service) that is supposed to solve some problem that consumers have ever get built or get built at the right price and with the right features? This is the stage that an entrepreneur flowers. Once the product creation risk is surmounted, the enterprise faces the market risk — will there be a large enough number of people who want to buy this product or service? This is the stage where the entrepreneur’s skill may need to be complemented by professional managers: Efficient processes need to be put in place for distribution and delivery where the prior experience of having managed such processes in a related industry will save time and cost. Once both the product risk and the market risk are overcome, the scaleup risk appears: Can the business be scaled up to national or even international levels? The businessman often shows up at this stage: His relationships and capital can help, his family-imbibed culture of cost-control can be constructive in businesses that may have become besotted with creativity and innovation. The businessman shows up in full force when the next stage of an industry sets in: The long period of decline. Product and process innovation plays almost no part in this stage: Astute management of costs and/or working with government authorities to get public goods at discounted prices matters more. This is also the stage when the businessman inducts his children into the business.

I guess that this is why being called a businessman disoriented me so much that day.

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