

# When Body and Soul Transform<sup>1</sup>

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The corporations are living entities, with one important difference. While a living organism evolves from childhood into youth and further onto old age and death, a corporation can live forever. However immortality results from the success of two processes, the evolutionary change and the transformation change, in the life of a corporation. The evolutionary change is similar to that of an organism's progression from birth to death, whereas the transformation process is akin to transition from one type of living organism to another. The biological species cannot make the transformational change, but socio-economic organisations like corporations can. The incremental or evolutionary change must be complemented by quantum or transformation change at regular intervals, for the creation of long lasting corporations.

While evolution is natural progression of adaptation to changing business and organisational requirements, the transformation is a discontinuous change. It is a fundamental change in the 'body and soul' of a corporation. The change redefines the 'body' in terms of new business strategy or the future direction and desired state, new structure and power equation or the bone schema, and new control systems and operating procedures or the nervous system. The 'soul' of a corporation is also redefined by acquiring new set of beliefs and values, organisation culture and style of management. Drawing further on organismic metaphor, the transformation essentially means a shift from one animal form like "configuration" to another. Unlike evolutionary change, which is generally self-creating and sustaining in a well running organisation, the transformation change is necessarily deliberate and pre-conceptualised. It needs to be initiated by

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principal stakeholders of a corporation, including top management, at a chosen time.

The realisation of the need for transformation in a corporation, is rather unpredictable, though there are some patterns. The need for change is often based on certain irrefutable developments in the company's external environment or internally within the organisation. And the process of creation of a constituency for change, is dependent on the stance of principal stakeholders. The stance could be proactive or reactive. Therefore the realisation of the need to transform can happen in four primary ways, with the location of developments as the *raison d'être* for change and the type of stance as the guide to process.

### **External developments as the reason for transformation**

The best example of external development that necessitated corporate transformation in many Indian companies in recent times, are the economic reforms initiated in early 1990s. The gradual shift from a 'centrally planned – self sufficient' to 'market oriented – globally integrated' economy, questioned the very fundamentals of Indian corporations. Competitiveness against domestic and global players, became the key issue for the first time in a majority of companies. As the reforms also opened new opportunities, generally the need was felt first with respect to the corporate and business strategy. It specifically related to evaluation of new growth opportunities, response to activities of competitors, reducing scope of diversification, increasing scale efficiencies, etc. The companies needed to transform in response to the external development by adopting a new strategy, and which further necessitated a transformed organisation design, for success. Though the impact of economic reforms varied across companies in terms of intensity and immediacy, this external development set up an agenda for corporate transformation for a large number of Indian companies in 1990s. There is unlikely to be an external factor of such universal consequence in the coming years, and the external reasons for transformation will be more industry and firm specific.

**Proactive stance** Some companies, like Ranbaxy and Mahindra & Mahindra, saw the writing on the wall and launched initiatives well before the economic changes had started taking toll on their companies. Ranbaxy factored in the implications of WTO regime, which were to be effective more than a decade later; and launched on a multi-dimensional and ambitious strategy in early 1990s. The organisation was also transformed, starting with the implementation of an innovative structure. Though many companies developed 'Vision 2000' plans in the wake of economic reforms in mid 1990s, these plans were not acted upon, as they were either over ambitious or lacked sufficient conviction. To proactively realise the need to transform under external developments, virtually the only aspect that matters is the orientation of CEO. It requires simultaneous presence of two qualities -- the envisioning ability to see years ahead, and the analytical ability to identify some 'big gaps' in order to develop conviction about the urgent need for major change.

**Reactive stance** A majority of old and large Indian companies, are examples of reactive stance in the wake of economic reforms. These companies did not realise the need for major business and organisational changes, till the late 1990s. The top management either remained unaware or decided to ignore early symptoms, and started to act only when there was significant erosion in market shares or their companies slipped into losses. Some companies like Voltas saw change in leadership, prior to launch of transformation initiatives. The reactive stance reduces the manoeuvrability of top management, leading to actions being more drastic and sub-optimal.

### **Internal developments as the reason for transformation**

The internal reasons for corporate transformation, can be broadly of two types. One, change in strategy primarily due to internal reasons, like change in top management leading to rethink on business direction, deployment of funds in major expansions or diversification, etc. Two, need to move to next stage of organisational framework, on having reached the limits of handling continuing growth and complexity with the current framework. Companies like Reliance have felt the need for transformation because of both the reasons, and many fast growing software and FMCG companies have undertaken transformations primarily on account of second reason. Fast growing young companies that are often driven and managed by an entrepreneur, feel the need for transformation after reaching a certain scale and scope of operations. The decision overload on entrepreneur and increasing need for specialised activities, precipitate the need for transformation. As there is natural reluctance and fears to let things go on the part of entrepreneur, most of the corporate failures occur at this point. Older companies also need periodic corporate transformations, to deal with structural inefficiencies and cope with significantly changed business and organisational requirements.

**Proactive stance** Here the response happens well before the performance has started declining and the top management shows the commitment to undergo discomfort and process of learning or unlearning. Companies like Wipro and Infosys, have often realised the need well in advance, and have undertaken transformations periodically.

**Reactive stance** The response here is delayed and commitment is patchy. The financially strained situation that usually prevails, when a reactive stance is contemplated, makes the transformation process more difficult. The top management often develops an escapist approach, leading to increasing difficulties in managing the organisation. They realise the need but not sufficiently enough, and may need to be coaxed into transformation process by other stakeholders.

It is clear that no corporation can survive in the long run, without undertaking transformations periodically. With the vastly increased pace of change, Indian

corporations that could continue with a configuration for decades, will need to transform more frequently. Already the software companies are virtually recreating themselves almost every five years. It is the capability of top management, especially the CEO, who determine whether the transformation is undertaken at the right time and whether it is initiated with sufficient conviction. In coming years, the ability to foresee the need of transformation and to set the appropriate direction, will be among the most important attributes of an Indian CEO.