

# 3 A Model of the Transformative Organization

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## Learning from the Wesman Group<sup>1</sup> of India

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Organization theory is facing serious challenges at the dawn of the 21st century. These challenges are of three types. First, *the formative challenge*: the debate between those who emphasize that the organizations exist to serve the interests of their owners and stockholders alone (Freeman, 1984), and those who assert a multiple-constituency stakeholder logic for organizational functioning (Drucker, 1999; Blair, 1995; Donaldson and Preston, 1995) has reached new levels of urgency. The owner-stockholder camp builds on the private property rights logic and holds that by focusing on their main job—to be profitable—the organizations can generate greatest value and allow society to enjoy the highest welfare and people to have the maximum resources to satisfy their needs. In contrast, the multi-constituency stakeholder camp builds on the social capital logic and asserts that each stakeholder constituency is essential to the success (ontological view), that the organization will be more effective by recognizing the emotional 'ownership' of these constituencies (epistemological view), and that the contributions of those constituencies constitute moral entitlements to shared ownership (axiological view).

Second, *the normative challenge*: the conversation between those who assert the paramount significance of the local institutions, and a need for the organizations to accept and adapt to the local institutional norms for legitimacy, preferential resource access, and buffered contingencies, and those who emphasize the freedom of the organization and a need to apply more general and universal criteria for strategic decision-making, has gained central place in international management literature. This conversation has grown into an emic versus etic debate in comparative management; localization versus globalization debate in

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