

Transformative Organizations

A Global Perspective

Editor
Vipin Gupta

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1 An Introduction to Transformative Organizations

Vipin Gupta

India and the other new economies in Asia and around the world are going through a period of unprecedented crisis. In the aftermath of 9/11, high-profile corporate scandals, and a global slowdown, growth of the new global economy has languished, and unemployment has risen with many educated workers losing their jobs and recruitment drying up for the new graduates. Many corporations have gone out of business, and others have abandoned or postponed their investment plans. Even the Information Technology sector—the driver of the dreams in the new economy—has reeled under conditions that have influenced virtually every sector including automobiles, consumer electronics, consumer durables and steel. Tourism, particularly air travel and the hotel industry, is severely affected with an unusually low number of international tourists, significantly hindering initiatives for international integration.

The micro-economic crisis has created problems of massive proportions on the macro-economic front. In India, for instance, the combined central and state government fiscal deficit is almost 10 per cent of the national income, far exceeding the international norms of financial stability that require it to be below 3 per cent. Consequently, the government as well as the private sector has been unable to commit \$30–\$40 billion annually into the infrastructure that India needs to emerge out of poverty on a sustainable basis. The need of the hour is ‘a better understanding of the micro workforce climate of the organization and formulation of the practices and policies that generate, promote, sustain and reward performance oriented behaviors’ (Pattanayak and Gupta, 2003). McKinsey reports that India’s labor productivity is just 8 per cent of US levels—ranging from 1 per cent in electricity distribution to 44 per cent in even software. Even in a dozen ‘modern’ sectors, labor productivity is 15 per cent of the American rate.

In general, there is a tendency to seek government action to manage crisis. Such tendencies are particularly stronger in nations with a substantial reliance on the new economy, as government support is seen as a way to protect initial investments and to ensure that firms in the nation survive and remain competitive when the global slowdown reverses itself.

Government support is important, but more important is to transform a situation of crisis into a window of opportunity. As Ian Macmillan (Pattanayak