Chapter XX

The Problem of Networked Organizations in India: A Case Study

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We present a potential misalignment that many emerging economies may face with respect to the advent of networked organizations. We argue that although it may seem that networked organizations appear to offer a viable option for the progress of a nation, a deeper analysis suggests otherwise. This will be exemplified through the case of The Engineering Corporation and its presence in India. While The Engineering Corporation does indeed provide employment to the local economy, the host country must determine the right mix of the aspects involved in the collaborative venture. If this care is not taken, there will be little benefit for the host country, thus resulting in a skewed orientation in the relationship.

The globalization of work supported by telecommunications technology and the advent of “networked” organizations has produced a potential dilemma in how to balance the interests of the new global company and the long-term national interests of the country supplying the workforce. A networked organization is one that is decentralized and has regional offices that deal with part of the business operation. For instance, an IT center in one location and a sales office in another. Global decentralization is motivated primarily in order to exploit cheap, skilled labor wheresoever it is found in the world.

In true Dickens style, however, the emergence of such organizations has the potential to produce the best of times and the worst of times. On the one hand, the investment made in the economy by contracting the local workforce can produce regional micro-economies that become an engine of prosperity by reshaping global markets—the best of times. On the other hand, by failing to capitalize and promote further the competence that is attracting companies to the region in the first place, major infrastructure issues are being ignored by central planners—the worst of times.

The particular case to be presented here involves an engineering company in India. India has maintained an impressive growth in its technology exports since the mid-1980s, especially in the software industry, with software exports increasing more than ten-fold from US $24 million in 1985 to US $350 million in 1994, with exports rising to US $5.7 billion by 2000 (Moitra, 2001; Zorpette, 1994). In May 1998, the Indian Government launched an IT task force, aimed at simplifying the policies and procedures related to the technology and software industry, with the goal of increasing exports to US $80 billion by 2008, with some US $50 billion of that in software exports.

It has been pointed out, however, that maintaining that impressive growth depends on the country developing technology-supportive infrastructures, policies, and an educated workforce (Bagchi, 1999; Kobitzsch et al., 2001). For instance, the United Nations’ Human Development Report 2001 and co-sponsored Digital Opportunity Initiative point to the need for third world nations to jump on the information technology bandwagon in order to improve their domestic economies.

The happenings in India seem to suggest that although the megacorporations of the world are keen to exploit the competence of the Indians, India in itself does not seem to be prepared for this onslaught. Based on the assertions and our argument, we identify the possible impact of the influx of multinational networked corporations on the Indian business and economy as a whole. First, we review the benefits of a networked organization before presenting the case study. The implication of these networks on the success of the Indian businesses and economy is then analyzed.

THE EMERGENCE OF THE NETWORKED ORGANIZATION

Increased competitive pressures and rapidly changing market conditions have caused organizations to depart from their traditional rigid hierarchies to adopt more flexible “networked” forms. This objective is commonly pursued through the availability of IT, which is considered a key enabler for effective networking and communication. The motivation for this drive is clearly the opportunity to exploit the richness of new information sources and opportunities.

Clearly, there are a number of organizational forms that support or constrain management processes. These arrangements generally include the structure, systems, and culture of the organizations concerned. There is a continuing debate about the most effective form an organization should adopt to improve its internal efficiency and external effectiveness (Mintzberg, 1983). However, a fundamental view is that the organization should seek to adopt a form that is appropriate to its determined objectives in the face of competition.

Organizations commonly pursue a strategy where a number of functions are undertaken by separate business units. These units could be internal or external to the organization. This is to adopt an organizational form which is believed to be responsive to the demands of a competitive environment. Miles and Snow (1978) initially argued that this form of organization stimulates traditional business units to make them more “market-sensitive.”

Katzenbach and Smith (1993) have argued that there is a critical need for organizations to develop cooperative relationships between teams that share common objectives. This task-focused orientation is considered important for organizations that intend to improve their performance and effectiveness. Such improvement is also dependent on an alignment of organizational members and organizational goals, such as ensuring that organizational
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