

People to people integration crucial in M&As: Kalyani

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PUNE 29 SEPTEMBER

IS THERE a recipe, a to-do check list for an Indian multi-national corporation (MNC), especially for mid-sized companies?

"Get the integration right in the first 100 days: this is the make or break period. Put in people-to-people processes to overcome these issues upfront before talking of your business plans, revenues and financials. And once you make a commitment, stick to it," said BN Kalyani, chairman and managing director, Bharat Forge Ltd (BFL), the world's second largest forgings company.

The focus, he maintained, is people. Get that right and the biggest battle may be won. The first 100 days, Mr Kalyani said, are crucial because this is when people's minds get made either for or against you. Once minds are made up, it is hard to un-

make them, to change negative attitudes since you are an alien and they are de-moralised, their company having changed hands. He should know, having acquired the Euro 116 million Carl Dan Peddinghaus (CDP) GmbH in November 03 for Euro 28 million.

Among the strategies adopted by BFL was to ensure its Indian employees learned German. And now, Mr Kalyani said, they want to ensure that both mean the same thing when they speak to each other.

BFL's German acquisition was preceded by Kirloskar Brothers Ltd (KBL), another Pune-based manufacturer (of pumps and valves) acquisition of the UK-based SPP Pumps for UK Pound 6 million (approx Rs 50 crore).

Both, BFL and KBL, are the proverbial dark horses who went out and acquired companies in the west. Unlikely, too, since they are not in the IT space but are component, sub assembly to

assembly manufacturers from the traditional 'metal bashing' industry.

Mr Kalyani is to speak on how BFL overcame the challenge of operating in an external environment through people-related processes, at the forthcoming All India Management Association's (AIMA) 31st convention in Mumbai. The theme of the two-day event, September 30-October 1, is 'Transformation through the people, for the people'.

Mr Kalyani pointed to the challenge for a mid-sized Indian company to successfully manage an enterprise in the West, in an environment which is culturally so different from ours.

"We need one success for Indian managers and entrepreneurs to acquire and manage an industrial unit in the west," Mr Kalyani said. There are very few examples of existing MNCs buying an established company, since they tend to either set up a JV or a greenfield project. GE is

the notable exception. But, as Mr Kalyani pointed out, GE has its own standard formula for management. He accepted that how BFL managed its acquisition is relevant to other mid-sized Indian companies stepping outside.

"Our German company has 800 employees. Among the questions that must have been in their minds was: Would this Indian company strip their company and move to India? We had to create trust, to overcome these kinds of issues. This was done through a people-to-people contact, initially at the senior and now down to the mid-level employees," he said.

BFL acquired CDP from a bankruptcy court. KBL's acquisition of SPP saved it from an uncertain future, the company having made losses in 2002 and the parent company looking for an exit option from the fire fighting pumps business. While neither Mr Kalyani nor Mr Kirloskar see themselves as flag

bearers of India Inc, Mr Kalyani admitted that employees at the Pune plant have a "sense of pride which is hard to define. It has also led to a higher sense of motivation here."

An acquisition is primarily for customers and Mr Kalyani maintained that this is the most efficient way to do so. It also provides entry into markets which prefer their technology from the West, Mr Kirloskar added, indicating the markets of the west Asia or China.

Almost a year later, BFL and KBL have moved to the second level of integration. In the case of BFL, they have appointed four cross functional teams to learn best practices in the areas of manufacturing, engineering, quality and marketing. At KBL, they had thirty years' experience working with SPP to draw upon but have now begun to integrate.

"Good engineering practices are a two-way flow. KBL has learned just-in-time (JIT) inventory management and other Japanese practices through the Toyota joint venture. We are sharing these with SPP and learning theirs," Mr Kirloskar said. Mr Kalyani said a significant 70% of the success of an acquisition is dependent on people integration.