The Rise of Indian Business in the Global Context in the Twentieth Century: a Review and Introduction

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Abstract

This special edition of Business History explores recent scholarship on the development of Indian business through the Twentieth century. In particular the authors examine the development of Indian business within its wider global context. Indian business was not immune to influences from the wider world but instead developed within existing networks of trade, foreign direct investment and transfer of managerial knowledge and know-how. A pre-existing body of literature has established the history of this global interconnectedness for the Indian economy in the 18th and 19th centuries. The contributors’ papers identify how these relationships and networks were adapted and developed in the era of pre- and post-colonial development and, latterly, liberalisation at the end of the century.

Keywords

India
Trade
Foreign Direct Investment
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Introduction

The history of modern Indian business remains a largely unexplored area of research to a European and North American academic audience (Tripathi 2007; 2014; Roy, 2017). However, it is an area of growing interest (MacKenzie, 2017) to which we hope to contribute in this special edition of *Business History*. Hitherto, Indian business has largely been addressed utilising a subaltern studies framework. First, domestically, in terms of a contextualisation of the importance of business state relationships in response to underdeveloped economic industrialisation (Bagchi, 1972; Kidron, 1965; Harris, 1983; 1986; Tomlinson, 2003; Tripathi, 2014) and second, internationally, in relation to Indian subordination, and exploitation, by western multinationals (Bagchi, 1982; Kumar and Desai 1983; Cain and Hopkins, 1993; Sen 2014). Subaltern studies itself maintains a central theme in the historiography of Indian labour history, and takes inspiration from Thompson’s classic 1968 study *Making of the English Working Class*. While subaltern studies primary focus is upon the formation of class, gender and race, and the particular role of exploitation in a colonial context it is nevertheless extended into examining business organisation and development (Misra, 1999; Sen, 2008; 2014). While the institutional context in India was, as subaltern studies maintains, vastly different to that of any western economy recent contestation of this close linking of subaltern studies to Indian business history has also begun to emerge from a literature that insists that decisions and choices of Indian management instead require recognition in their own right (Austin et al., 2017; Roy, 2017).

A focus of this special edition is on Indian business within its wider global context. Indian business was not immune to influences from the wider world. There is a considerable body of literature that establishes the history of the global interconnectedness of the Indian economy in the 18th and 19th centuries (see for example, Bacghi, 1999; Chapman 1987; Jones 2000; Riello and Roy 2009; Aldous 2015). We seek to build on this body of work to locate the development of Indian
business in the wider world economy, the practices that have grown from this relationship of exchange and the transfer of knowledge, know-how and competences.

Three broad periodisations are widely utilised in Indian business history. These are: the colonial era (1857 to 1947). Many of the fundamental elements of Indian business development were mature prior to 1947 and reflected the subordination of Indian business interests to those of British, European and the United States multinationals. The growth of Indian-owned businesses, associated with the agency form of organisation, operating within the primary goods sectors contrasted markedly with the dominance of foreign-owned multinationals operating within the industrial sectors of the second industrial revolution (Tomlinson, 2003).

The second period identified is that covering the traumatic events of independence and partition and the era of state-led development and import substitution (1947-1991). The post-independence era has been largely seen as a historiography of Indian contemporary business framed by the challenge of understanding the varying fortunes of large-scale business within a distinctive post-colonial institutional environment (Bagchi, 1972; Harris, 1983). The latter decades of the era, from the 1970s, is also discussed in a context of a recognition of lower economic growth relative to other newly industrialising economies, and relative economic decline in early established industries such as textiles (Bagchi, 1982; Wolf, 1982; Harris, 1986).

Finally, liberalisation and globalisation (1991 onwards) is identified as the third distinctive era. The 1980s onwards saw a growing weakening of the state-led model of development. Here the literature identifies liberalisation with economic success and rapid growth in newer industries in which higher levels of human capital were pre-requisites (Byres, 1997; Chenoy, 2015). The differing fortunes of the Indian economy across the two post-independence eras has unsurprisingly led to a focus on a wide range of factors and interpretations (Bagchi, 1999; Tripathi, 2004).
Additional sub-classifications have been made. For example, Roy (2011) divides the post-colonial period into Phase 1, covering 1950 to 1964 and ending with Jawaharlal Nehru's death, Phase II, covering 1965–1985 including famine and war with Pakistan, and Phase III covering the period from 1986 to the present.

Our interest, however, lies in the continuities and adaptiveness of Indian business across these periods and the three broad categories (pre-1947, 1947-1991 and 1991 onwards) provide a sufficiently broad analytical framework for this. Our primary approach is thematic rather than chronological but some chronological focus on the debates and scholarship found in the literature is necessary in order to put these themes into context.

Themes

The papers in this edition highlight the distinctive national elements of Indian development in each period, and emphasise the role of global influences and the continued interconnectedness of Indian businesses to the global economy. In examining the interconnectedness during these periods, the papers in this edition will examine the following themes: State and Industry Relationship, Multinationals, and Management Education and Training.

Indian industrialisation and the legacy of colonialism

The dominance of European business houses over modern industry before the First World War was supported and reinforced by a diverse set of administrative, political and financial arrangements. This created a highly racially segmented business environment in which European businessmen very consciously set themselves apart from ‘native’ businessmen. They claimed a cultural and racial affinity with the British rulers of India that was denied to Indians who might compete with them. Tomlinson (1979) highlights that these arrangements were not unchanging and evolved to recognise the changing influences in Indian society after the First World War. Sen (2008) shows that these were male environments in which European women, if engaged in economic life at all, were relegated to roles in health and social
reform while Indian women faced extreme exploitation or, alternatively, exclusion in industries such as cotton and jute textiles.

The late nineteenth and early twentieth centuries saw India’s economic development emerge in the areas of agricultural exports and textiles. Indian producers began to dominate in these world markets, especially in the two classic cases of tea and manufactured jute products (Morris, 1979; Goswami, 1985; Riello and Roy, 2009). From the post-First World War era onwards, Indian producers were largely absent from the global markets that developed in the industries of the second industrial revolution. In car manufacturing and transport equipment, machine tool manufacturing, chemicals and oil, Indian development was either absent or dependent upon the direct investment of European and US multinational organisations (Kidron, 1965; Jones, 2000). The first half of the twentieth century saw growth in world trade that moved increasingly towards higher technology goods and away from agricultural and textile products. This led to developing economies such as India’s falling behind developed ones in terms of both output growth and their relative importance in world trade (Maizels, 1963, pp.178-9).

Between the two World Wars, the Indian state’s industrial policy began to benefit domestic producers due to the government policy of imposing import tariffs. However, these benefits were also available to European businesses and as such can be said to be driven by the Indian government’s need to raise much needed revenue rather than by the promotion of industrialisation (Bagchi 1972; Markovits 1985). For Misra (1999), it was British business interests that motivated the government while benefits to Indian-owned businesses were secondary. Therefore, ‘imperialism’ was advocated more stridently by British businesses than by government officials, and it was used to gain advantage over Indian enterprises (Mishra, 1999, p. 7). Gupta (2014), however, claims that differential access to social networks was the overriding influence. Whether driven by government or businesses, there is sufficient evidence to suggest that some institutional barriers existed that limited the growth of Indian-owned firms.
From the 1950s, once the social and political upheaval of independence and the Partition had passed, debates over the continuing laggardness of Indian business in higher technology industries began to be addressed more actively (Federation of Indian Chambers of Commerce, 1999). Harris (1986, pp.18-29) provides a useful characterisation of the wider context of these debates. The role of the developmental state and the creation of conditions for the Rostovian ‘Take-off’ are central to understanding the framework of business-government relationships that emerged. Classical and Marxist approaches emphasise global market relationships and schools of thought that focus on ‘underdevelopment and dependency’. As such, external international barriers to trade proved crucial (Bagchi, 1972; Majumdar, 2012, pp. 126-152).

Scholars including Kidron (1965) and Bagchi (1972) place an emphasis upon external barriers to development after independence. These focused on the continuing role of European and US imperial dominance as well as other advanced economies in restricting market entry through the creation of barriers to exporting. External control of the Indian economy was also evident through the continued ownership and control over industries reliant upon higher capital investment by imperial interests and the exclusion of indigenous managers in capital-intensive industries. For Bagchi (2007), with the exception of Western India where businessmen had a firm foothold in international trade and industry, Indian-owned businesses found themselves discriminated against by European-controlled banks in their access to much needed capital. This continued until the nationalisation of the Imperial Bank of India in 1956 (Ray et al., 2003; Bagchi, 2007) and was underpinned by the discriminatory attitude towards Indian-owned businesses that was prevalent in the state bureaucracy (Sinha, 1995).

A series of post-independence initiatives also sought to address the inadequacies of internal industrialisation. The 1948 Industrial Policy Statement extended state ownership into key sectors and introduced regulation into a wider set of industries. Financial support and preference for imports of raw material and capital goods for export orientated industries was also put
into place in the first Five Year Plan from 1951-56. In this, Government sought to follow a macroeconomic policy with an orientation toward export-led growth. Internally, development policy focused on encouragement, and later enforcement, of indigenous ownership of domestic enterprises, first with the formation of the Industrial Finance Corporation of India in 1948, and still more aggressively with the system of industrial licensing from 1951 (Tripathi, 2004, pp. 282-325).

Developmental approaches linked to neoclassical economic ideas focus on weaknesses in the development of factors of production, market signals and the excessive concentration of resources in specific sectors for the restricting of more rapid internal development for modern industries (Papendieck, 1978; Gupta, 2005). In the neo-classical approach, entrepreneurial failure is a key component of the explanations provided for the limited success of industrialisation. Roy (2017) provides an overview of many of the elements of this entrepreneurial failure in a critical reflection of the ‘transfer-cum-decline’ thesis. The transfer of assets from British and other Western economies into Indian ownership is said to have witnessed an inevitable decline due to a lack of entrepreneurial know-how and capabilities, despite their promotion by government policy. The Foreign Exchange Regulation Act (FERA) 1973 was the culminating legislation in this process, ensuring that international organisations transferred ownership to Indian-based organisations, for Michael Aldous and Tirthankar Roy’s in their contribution to this volume “Reassessing FERA: Examining British firms’ strategic responses to ‘Indianisation”.

A further example of entrepreneurial failure is suggested by the contrasting performance of Calcutta (modern day Kolkata) and Bombay. The dominance of Marwari traders and bankers and their Calcutta-focused networks over Indian business is identified as indicative of an entrepreneurial failures in contrast to Bombay where British influence continued longer. The decline of the Calcutta region is thought to be caused by the narrow focus on speculation and trading rather than a lack of manufacturing knowledge (Federation of Indian Chambers of Commerce, 1999, p.159). Again, however, more recent scholarship has questioned the extent to which such supply-
side explanations hold, and suggests that the dominance of existing social networks is a more plausible explanation for these economic outcomes than direct discrimination (Gupta, 2014).

**Post 1947 State and Industry Relationship**

The evolution of change in state-industry relationships and the development of legal frameworks for the development of business are understood to be at the heart of many of the more contemporary debates. International trading relations underwent liberalisation with the reduction in global tariff protection following the creation of the World Trade Organisation and increasing moves towards globalisation. However, liberalisation was not uniform. Significant barriers to international trade in manufactured goods remained and developed afresh as international trade was managed and regulated rather than ‘free’ (Thompson and Hirst, 2009). As Carlo Morelli identifies in his paper “Regulating the post-independence textile trade: Anglo-Indian tariff negotiations from Independence to the Multi-Fibre Arrangement”, imperial preference gave way to voluntary export restraint in the 1960s and, in the case of the Multi-Fibre Arrangement, global quota limits on textile exports from developing economies were introduced. This management of trade nevertheless saw textile exports continue to play an important role in Indian exports, accounting for over 37 per cent of total export earnings in the 1970s (Vanathi and Swamynathan, 2014, p. 8).

The Indian economy increasingly integrated itself into global supply chains whereby new forms of development emerged, both in older manufactured goods sectors such as textiles, machinery and transport equipment, and in tertiary sectors of business services such as call centres and, in the case of Bangalore, software development. While the policy focus on comparative advantage increased the exposure of Indian firms to international competition, the state continued to play a major role in industrial development (Bagchi, 1999: Majumdar, 2012). In the organised sector of the economy, increases in public sector employment in the newer areas were rapid. In the area of Trade and Commerce, public sector employment rose from 37
percent to 64.7 percent while in manufacturing it rose from 10.9 percent to 24.9 per cent between 1961 and 1981 (Harris, 1983, table 7).

As Ajit Nayak demonstrates, co-operation as well as competition was a central requirement for the investment necessary to establish new technologies. Nayak’s paper “Internationalization of the Indian Telecommunication Industry (1947-2004): A Firm-Level Perspective” demonstrates the importance of government in the contemporary development of mobile technology. Although a state monopoly, telecommunications did not become a strategic priority for the Indian government until the 1980s. Despite the government’s tendencies towards favouring state monopolies public discourse on the status of telecommunications was shifting towards liberalization, leading to the development of strategic planning within the state sector. Nayak thus traces the evolution of the Indian telecommunication industry from a national monopoly to a liberalised sector. The entry of private sector competitors required the incumbent firm to develop strategic adaptability in order to survive in a newly liberalised market. Post-liberalisation, the dynamics within the industry changed dramatically for foreign firms whilst the nexus between business and government still proved to be important in terms of understanding the various changes in telecoms policy. Nayak’s contribution demonstrates that Indian private sector companies were the main conduits for the activities of foreign firms. The main capabilities required by foreign firms were financial resources, technological expertise and, crucially, the political capabilities that enabled them to work with the Indian government. Once they gained entry and utilised joint ventures with Indian private companies to develop technical knowledge and capital investment, they also needed knowledge transfer capabilities.

Information technology is an important part of India’s new economy and service sector. There remains scope for systematic analysis of implications on business practices of
firms established during the early decades. More broadly, research could also examine business practices in key service sectors such as tourism, hospitality, leisure, entertainment, and sports.

Our continued knowledge and nuanced understanding of state industry relationships will be further enriched as more case studies emerge. Firm and industry case studies will continue to raise new challenges to the economy-wide political economy approaches to Indian industrialisation that scholarship has predominantly focused upon.

**Managing multinationals**

Changing patterns of industrialisation also played an important role in understanding the evolution of foreign direct investment (FDI). The role of multinationals and FDI is crucial when analysing Indian business practices in the global context (Kumar, 2010). Analytically, this can be examined in the context of foreign firms operating in India (foreign multinationals), and in the later era of Indian firms operating overseas (Indian multinationals).

**Indian inward FDI**

Prior to independence, information on foreign firms operating in India can be ascertained by looking at inward foreign direct investments. During the early part of the 20th century, there were very few restrictions in terms of investments, imports or exports from India (Bagchi, 1972). From 1914 to 1929, India rose from 8th to 3rd rank globally in terms of attracting inward FDI (Wilkins, 1994). At least three quarters of capital investment in India until independence was British owing to the government favouring the FDI of British firms (Bagchi, 1972; Kidron, 1965). Inward FDI was primarily concentrated in tea and jute (25%), trading (17%), finance and management (8%), utilities (6%) and transport (6%) (Kidron, 1965 p. 3). Thus, certain industries were almost wholly dominated by foreign capital. For example, in 1949-50, 85% of areas planted for tea was under foreign

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For example, International such as IBM and International Computers and Tabulators; Domestic such as Electronics Corporation of India Limited, Hindustan Computers Limited, DCM Data Products, and Operations Research Group.
ownership, jute varied between 70% and 95%, wool 85% in 1945, and coal 65-75% (ibid). This shows that multinationals enjoyed a wide presence in the Indian industry up until the 1940s.

The recruitment of Indian managers into these firms, 'Indianisation' is the subject of three of the papers in this volume.

Christina Lubinski, Valeria Giacomin & Klara Schnitzer’s contribution to this volume, “Internment as a business challenge: Political risk management and German multinationals in Colonial India (1914–1947)”, examines the changing patterns of racialized business relationships by examining the impact on German-owned multinational enterprises (MNE) of internment during the two world wars. German MNEs, as with British, discriminated against local workers, were afraid of opportunistic behaviour, and wanted to keep a tight control on their offices. Lubinski et al. stress that the experience of MNEs' in India differed significantly depending on their country of origin, suggesting the category "European business" requires a recognition of the variation in this framework of imperial advantage.

Neveen Abdelrehim, Aparajith Ramnath, Andrew Smith and Andrew Popp's contribution also examines the process of promoting local people to positions of real authority in their paper “Ambiguous decolonisation: a postcolonial reading of the IHRM strategy of the Burmah Oil Company". They suggest it was a complicated process largely driven by pressure from local governments rather than something that was embarked on with willingness at a firm’s headquarters. Moreover, the type of Indian even when selected for inclusion in the managerial cadre reflected a strong desire to hire highly Anglicized Indians. The Burmah Oil Company (BOC) traditionally preferred candidates who somewhat fitted the model of a ‘clubbable’ young Englishman. The process of Indianisation at BOC was thus slow and halting. The company’s move away from an ethnocentric IHRM strategy towards a polycentric one was extremely gradual, never entirely complete, and, apparently, grudging.
The era from independence to the 1980s is one in which industries in the manufacturing, chemicals and pharmaceutical sectors were the focus of attention for FDI while from the 1980s business services such as call centres, software and telecommunications played an important role in industrial development. After independence, the increasingly protectionist policies of governments led many MNEs to cease operations in India between the 1960s and 1980s (Nayak 2008).

Aldous and Roy’s contribution similarly considers the issue of the racialisation of British business in India after independence by examining moves to encourage the transfer of foreign-owned businesses into Indian ownership. Their paper ‘Reassessing FERA: Examining British firms’ strategic responses to ‘Indianization’ provides evidence based upon publications of the India Pakistan Burma Association to reassess how British businesses perceived the threats of Indianisation. Aldous and Roy show that British-owned firms used a diverse range of strategies, some drawing on their extensive experience, knowledge and networks built through long tenures in India. Although initial worries about 'Indianisation' were widely expressed, the balance of opportunity and risk remained somewhat favourable for British business. Their study reveals that strategic responses varied from outright divestment and sharing ownership, to expansion, investment, diversification, and making a case that the firms operated with sophisticated technologies even when no clear definition of the term existed. These papers demonstrate the continued importance and complexity of managing inward FDI in post-independent India. Collectively, they demonstrate the importance maintaining racial divisions played for MNE’s in India both pre- and post-independence.

**Indian outward FDI**

One of the key changes of contemporary Indian business development is the shift from India as a recipient of FDI to a source. Evidence of Indian firms venturing overseas can be dated back to the early 1960s (Lall, 1983). Lall concludes that companies expanded overseas to mitigate the limitations imposed on domestic growth due to the Monopolistic and
Restrictive Trade Practices (MRTP) Act of 1969 (Lall, 1983, p. 68). The restrictive regulatory environment was also responsible for the decision to set up production overseas instead of exporting from India (Lall, 1983, p. 73). Between 1960s and 1980s, much of the outward investment went towards other similarly less developed nations in South East Asia, East Africa, West Africa and the Commonwealth of Independent States (CIS), which accounted for about 82% of the total investments (Pradhan and Sauvant, 2010 p. 5). However, Western governments’ priorities rather than Indian also influenced these preferences towards outward FDI. As Morelli shows in Regulating the post-independence textile trade: Anglo-Indian tariff negotiations from Independence to the Multi-Fibre Arrangement the case of textile industry demonstrates that FDI provided a means of circumventing the increasing regulation of Indian exports into Western European and American markets under the Multi-Fibre Agreement.

The mode of entry chosen for outward FDI was predominantly joint ventures, which rose from 62% in the 1960s to 70% in the 1980s. According to Pradhan and Sauvant (2010, p. 10), in the 1990s with the relaxation of foreign exchange rules, the preference was clearly for wholly owned subsidiaries. Furthermore, between the 1960s and 1980s, the majority of outward investment was from the manufacturing sector, moving to service sector from the 1990s onwards (Pradhan 2008, pp. 76-77).

The country went through a phase of state-led development from the 1950s, when the state set up public enterprises in steel, fertilisers, the exploration and distribution of oil, the making of heavy machinery for mines and minerals, electric turbines and telecom equipment. In 1969, it nationalized all major banks and subsidised agriculture with cheap fertilisers, electricity and cheap loans from public sector banks. Private sector industry was also subsidised with infrastructure built at public expense, and with cheap electricity and water (Byres, 1997; Bagchi, 1997; 1999; Rao, 1997). There was also some concentration among the largest Indian owned business organisations. Even before independence India had some large business groups, the biggest three being the Tata Group, the
Birla Group and the Martin Burn Group. The first two were diversified across many industries with the encouragement of the government. Often in violation of government’s own industrial policy resolution of 1956 (Chenoy, 2015, chapter 6), the bigger business houses grew further (Hazari, 1966). The Birla Group under Aditya Vikram Birla was the first to go multinational. Its first venture outside India was a textile mill in Ethiopia in the 1950s. Further companies were floated in the 1960s and 1970s in Thailand, Malaysia, Indonesia and the Philippines. Companies were also floated in Kenya and Nigeria. Other important groups were the Lalbhais, Thapars, Shri Rams, Singhanias, Mafatlals, Walchands, Bombay Dyeing Group, Ruias and Kirloskars (Tripathi 2004, pp. 286-296). In seeking to trace the patterns of development of outward FDI from India, Tumbe (2017, p. 651 and figure 1) utilised migration records to highlight changing patterns of migration and the growth of internationalisation first towards Southeast Asia and Africa, and later towards the United States, Europe and West Asia.

This history of inward and outward FDI in the Indian economy demonstrates a more complex pattern than the accepted periodisation of Indian economic development suggests. Inward FDI was stifled by independence, and non-Indian firms, as shown above, took a range of approaches to demands for the Indianisation of senior managers. In contrast, outward FDI began during a period that pre-dates the liberalisation era, when the Indian state played its most direct role in the economy. During the state led development era Indian business developed and exercised a level of autonomy missing from much of the literature. In doing so they required a need to access knowledge, know-how and capabilities from outside of India.

However, in general we know very little about the challenges faced in terms of day-to-day management, either of foreign-owned multinationals operating in India or Indian multinationals operating abroad. It is not clear what internal governance systems were used to manage international ventures in terms of staff selection, training and knowledge sharing, or what impact, if any, the interaction with international markets had on domestic operations. Cross-cultural management, in particular
the management of expatriates, is a topic with ample scope for future research. Harvey and Moeller (2009) framework for management of expatriates could be used to examine these issues in the Indian context.

Management Education and Training

As in the case with FDI patterns, management education and training is not easily understood within the periodisation of post-1947 state-led development and post-1970s liberalisation. Both pre- and post-1947, the global exchange continued. In the state-led intervention era, the government did not overlook the domestic need for managerial training. In fact, in a counter example to FDI, in the state-led development era, the Indian government actively encouraged the global exchange of managerial know-how and recognised the need for managerial expertise as a pre-condition to its growth planning.

Education and training in business and management in India during the 20th century was highly influenced by international exchange and this is addressed by two papers. The contribution of Swapnesh Masrani, Linda Perriton and Alan McKinlay ‘Getting together, living together, thinking together: Management development at Tata Sons 1940–1960’ examines the development and import, from Britain not America, of management training for in-house use.

Education in commerce related subjects can be traced back to the establishment of the Calcutta Presidency College in 1903, and later to 1913 at the Sydenham College, University of Bombay (Hill et al., 1973, p. 10). The University Education Commission, appointed by the Government in 1948 with the aim of facilitating post-war reconstruction and rapid industrialisation, found that the British modelled curriculum was better suited to those wishing to enter government civil service jobs or take up clerk positions than to those wishing to tackle the challenges of ‘modern industrial management’ (Hill et al., 1973, p. 10; Myers 1958, p. 110; Jain 1968, p. 33).

The period between 1947 and the 1960s was crucial for the development of management education and training (MET) in
India. It was during this period that a systematic approach was introduced. Interestingly, as the Indian economy was entering a protectionist era, it was open to drawing on international expertise on MET. The University Education Commission recommended the establishment of a business and administration curriculum. Separately, the All India Council for Technical Education, a body established in 1945 on the recommendation of the Central Advisory Board of Education and the personal initiative of Ardeshr Dalal, director at Tata Industries, established the Industrial Administration Business and Management sub-committee under the chairmanship of Sir Jehangir Gandhy, also a director at Tata Industries. The subcommittee submitted its report in 1953 recommending the establishment of: a) an Administrative Staff College, b) a Board of Management Studies to formulate schemes at university level, and c) a National Institute of Management (Jain, 1968, pp. 33-34).

The Ford Foundation also played an important role in the 1950s by working with the government and other agencies to introduce American thinking to management programmes. Its association with India began in 1951 when Paul Hoffman, then President of the Foundation, in an interaction with the Indian ambassador to the US, offered his assistance to build the institutions of Western democracy in India. Hoffman had previously administered the Marshall Plan as head of the Economic Cooperation Administration in Europe and was concerned with the Communist takeover in China. He travelled to India and met Prime Minister Jawaharlal Nehru and prominent industrialists such as J.R.D Tata and G.D Birla. Since the Ford Foundation itself had limited resources, the discussions centred on contributing through ‘demonstration and training projects’, which would create multiplier effects. In 1952, Professor Paul Appleby visited India at the request of Nehru to survey the state of public administration and make recommendations for improving the functioning of the government (Staples, 1992, p. 44). During the 1950s, the Foundation sponsored visits by Indian industrialists and civil servants to business schools and management training centres in Europe and US. It also gave grants to the All India Management Association in collaboration with MIT Sloan
School of Management. Its most significant contribution was assistance in the establishment of the Indian Institute of Management (Ahmedabad and Calcutta) (Staples, 1992, p. 45; Hill et al., 1973).

The 1950s also saw the introduction of various post-experience training activities. In 1950, the International Labour Organisation (ILO) invited several Asian countries to attend its courses in regional centres. At the request of the Indian government, the ILO conducted several training sessions in India between 1950 and 1953 under the Training Within Industry (TWI) schemes. A pilot scheme was held in Ahmedabad in association with the Ahmedabad Textile Research Association. Enthused by its success, the government requested a further roll-out of this scheme across India. Many large firms such as Tata, Burman-Shell and Lever Brothers introduced it to their supervisory staff (ILO, 1957).

The establishment of the Administrative Staff College of India (ASCI) in 1956 was an important milestone in providing post-experience managerial training. The college was modelled on the Administrative Staff College at Henley, England. In keeping with its emphasis on practice, ASCI’s faculty comprised experienced executives from private and public sector organisations such as Tata, Hindustan Lever, Indian Railways and the civil service as well as defence personnel (Sinha 2004, p. 144). The training was delivered using Henley’s syndicate method. During the initial years, courses were designed mainly for senior executives in general management. But based on feedback from client organisations, additional courses were soon introduced such as a general management programme for young businessmen, functional courses such as human resources management, materials management, operations management, financial management and marketing management (Sinha, 1986).

The case of ASCI throws light on the role of Britain in the development of MET in India, showing that India did not rely on American ideas and was open to a variety of approaches (Maheshwari and Ganesh, 1974). However, it remains to be
explored whether Britain’s contribution to institution building was limited only to ASCI.

With the establishment of Institutes of Management (IIMs), the prominence of management related subjects and degrees began to grow during the 1960s. As a result, a wave of ‘commerce colleges’ began to introduce ‘management’ subjects leading to MBA degrees (Hill et al., 1973, p. 19). While the IIMs also ran executive education sessions, their focus was on ‘education’ or pre-experience degrees (Anubhai, 2011; Mohan, 2011).

Other parts of the economy also benefited from management education and training programmes. The Indian government placed heavy emphasis on the development of rural economy during the state-led intervention period. The Ford Foundation facilitated establishment of many programmes to introduce new techniques of farming to increase productivity (Stapes 1992). On the ‘management’ side, the focus of programmes was mainly in small industries (p. 51). It resulted in establishment of institutions such as the Cottage Industries Emporium in 1952 and the National Institute of Design in 1961. In 1970s ASCI and IIM (Ahmedabad) initiated studies to look at issues and challenges of rural economies (Ramkrishnan 1976). There remains scope for analysing wider implications of these programmes and trainings on rural and social entrepreneurship.

Not all imports of management techniques were channelled through institutions such as ASCI and IIMs. In some cases, the government directly sought assistance from international bodies. For example, in 1952, the United Nations Technical Assistance Administration was invited to help promote the concept of ‘quality control’ in Indian industries. As a result of this visit, dedicated units were established in Bombay in 1953 to provide assistance to local firms who wanted to gain more information or implement these systems. After a second visit from the UN team in 1962, additional units were established in Bangalore, Baroda, Bombay, Calcutta, Coimbatore, Delhi, Ernakulam, Madras and Trivandrum. However, industry showed very little interest in these programmes (Chatterjee, 1973). It was not until 1981 that Bharat Heavy Electricals (BHEL), a
public sector enterprise, introduced the first quality circle in a systematic way (Srinivasan, 1991). However, there is very little information on the circumstances surrounding its introduction into BHEL. It is also not clear what type of, if any, quality control systems existed in Indian firms prior to 1980s. More broadly, the public sectors enterprises came to dominate the Indian economy during the state-led intervention period. Future research could look into their role as recipient and diffusor of such practices.

While institution building was taking place at the national level, it is interesting to explore how far individual firms took initiatives to develop their own training programmes. There is evidence of firms outside India developing in-house management training programmes (Friga et al., 2000; Russell, 2015). This also appears to be the case in India. Masrani et al’s contribution (2018) shows that a managerial training programme was developed by Tata during 1950s. This was at a time when there were very few national institutions where training could be provided. Interestingly, Tata’s in-house training was modelled on the Henley’s Staff College as opposed to the American model. While there is evidence that other companies such as United Commercial Bank and Standard-Vacuum Oil Company started management training programmes during this period (Myers, 1958, p.113) there is a need to undertake further research on the variety of in-house training programmes during this early period, and on their impact on practice.

The global inter-connected nature of management education also contributed to the ‘modernisation’ of many family owned businesses. Throughout the three periods covered in this issue, a large section of the Indian economy continued to be under the control of family owned firms (Roy 2018). Children of the many business families pursued education in Western countries. There are many anecdotal stories on how, upon return, they introduced new practices inspired by their Western education. A case in point is that of Rajiv Bajaj, of Bajaj Auto, who established new manufacturing unit 1990s inspired by knowledge gained from his education overseas (Aiyar 2005). However, there is scope for a systematic analysis of this phenomenon within and between periods, looking into the range
of business practices where contribution from management education were made and its implications through a fine-grained analysis.

Concerning family businesses more broadly, future research could study the implications of the changing government policies on the flow of global exchanges on their wider business practices and response to it.

**Governance Structures**

While the subject of the managing agency is not directly addressed in this issue, its dominance as a major form of governance in Indian industry for much of the 19th and 20th centuries merits some discussion. Managing agencies were distinctly Anglo-Indian in origin. According to one estimate, by 1915 the agency houses controlled more than 70% of industrial capital in India (Misra, 1999). Up until the 1950s, industries such as jute, iron & steel, cotton, tea plantations, coal and railways were dominated by large agency houses, thus concentrating power into just a handful of firms (Sarkar, 2010; Nomura, 2014). The agency system was used by the British merchant houses as far back as the 1790s for investments in indigo plantations in India (Chapman, 1992). The first evidence of a local managing agent in India can be traced back to the establishment of Carr, Tagore and Company in 1834 (Kling, 1966, p. 38).

While managing agencies were both British- and Indian-owned, there were two important differences in how they operated. First, the British-owned agencies normally appointed external members to their boards of directors, especially for their technical and managerial expertise. Indian agencies, on the other hand, were a family affair and rarely appointed outsiders to the board. Therefore, while the Indian agencies were able to provide financial support to the companies they managed, they were often found to be lacking in technical and managerial expertise. Second, the majority of Indian agencies oversaw one or two firms in the same sector, whereas the British agencies were typically highly diversified and managed many companies (Loknathan, 1935, pp. 314-17).
A major advantage of the agency system was that it could provide centralised and coordinated control, especially where a large number of companies were managed and operated across different sectors (Loknathan, 1935, p. 348). In reality, the agency houses tightly controlled the companies they managed. The control was exercised in two ways: by actively protecting their shareholding and by having favourable agency contracts in the managed firm in their favour (Nomura, 2014). Through centralised control, the agency system is claimed to have also stifled the growth of the professional managerial class’ in India (Patel, 1965). The agents were more interested in ensuring their steady commission than in making long-term investment decisions for the companies they managed (Lokanathan, 1935; Patel, 1965).

The agency system, it is argued, had a negative impact on industrial development in India. The system came under close scrutiny through the Companies Act of 1956 and was formally abolished on 3rd April 1970. However, some have questioned this negative perception, finding that managing agents were flexible in their practices, sometimes charging a commission based on profit rather than on sales in the interests of the company (Oonk, 2001).

One of the key functions they performed was to oversee the day-to-day running of the companies they managed. With the exception of Wearmouth (2014), there is very little detailed case studies of the managerial expertise they provided to the managed companies. Large agency houses typically managed many firms in diversified sectors. These firms were often located in different parts of India. It is not clear what system of control was employed to manage them. There is potential for future research to document and analyse managerial practices of large and small agencies, difference among Indian owned and difference between Indian and foreign owned agencies.

While the agency structure pre-dates the period of interest in this set of papers, it nevertheless demonstrates a pre-history of the Indian global interconnectedness that we focus upon. The replacement of the agency structure is a major area for future research in Indian business. Of particular interest would be the source of inspiration, Indian or Western, for the structure that
replaced it, and the impact on the day-to-day governance of companies. According to Goswami (2016), there was very little change in the way companies operated after they moved away from the agency structure in the 1970s. The kernel of the agency form remains very much intact in modern Indian business groups. However, this hypotheses need to be supported by systematic fine-grained empirical analysis.

Concluding Remarks

The papers in this edition have shown that the development of Indian business continued to be highly dependent upon global relationships of exchange, and transfer of knowledge, know-how and competences within the world economy throughout the twentieth century. While interconnectedness provided a means to frame the on-going relationship between Indian business and the global economy, it was the ability to embed this knowledge and know-how into Indian business that was a precondition to the success of these transfers. Over time, it is evident that many Indian businesses proved to be highly adaptive and responsive to the changing institutional environment within the economy.

With a thematic rather than a chronological approach, it is evident that many of the changes identified with later periods can be found to have their origins and establishment in the early post-independence era (Bagchi, 1999). In particular, the state-led import substitution and licensing policies proved to be far more open to international integration than might traditionally be assumed.

This arose from both political and economic changes, from the shift away from lower technologies of the first industrial revolution to the higher levels of value in the industries of the second, third and even fourth industrial revolutions including software, call-centres and services.

Finally, another common feature of the articles in this special issue is the cross-disciplinary approach to investigating these issues, drawing from international business, management and political economy. The contributions incorporate suggestions for greater methodological consistency in the analysis of Indian
business (Jones and Zeitlin, 2008). This thematic analysis contributes a theoretically grounded approach to research on Indian business history that has, until recently, been overly dominated by biographies of prominent individuals and company histories.
Bibliography


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