

ORGANIZING THE UNORGANIZED? : GDW IN INDIA'S LABOR-INTENSIVE, UNORGANIZED DIAMOND INDUSTRY

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INTRODUCTION

The pursuit of global business has traditionally evolved from the perspective of the MNC which is assumed to develop rather predictably from small domestic companies into large, mature, transnational firms (Bartlett & Ghoshal, 1990) over time. This process of internationalization is viewed as a method of risk reduction for the firm as it seeks to grow (Johanson & Vahlne, 2006). As with the evolution of the MNC, almost all the global business literature assumes a likewise predictably 'organized sector' behind the firm's global success. However, technological innovation, globalization and the presence of increasing numbers of people with international business savvy and/or specialized knowledge have paved the way for a large 'unorganized' sector in developing countries like India, to move up the value chain and create their own success stories in the global business arena. These unorganized sectors mirror neither the typical evolution of the MNC, nor the organizational structures common to the MNC. Moreover, these success stories are not well-documented, nor are they systematically represented in the management or international business literature. There are of course anecdotal data about so-called 'new organizational forms,' however the IB literature is less sanguine about such organizational forms that do not mesh well with the theory of the MNC. Nevertheless, it is well documented that the changing international environment in terms of economic, technological, social conditions coupled with an increase in speed, quality and efficiency of ICT have reduced transaction costs of multinational interchanges (World Telecommunications / ICT Report, 2006, http://www.itu.int/ITU-T/ict/publications/wtdr_06/index.html). Our interest, indeed what intrigues us, is in these 'new organizational forms' embodied by these globally-distributed unorganized sectors that seemingly add significant value and apparently seem to contradict the theory of the MNC.

The unorganized sector, so called due to the absence of traditional corporate structures, strategies and statistics, remains under-researched and empirically undocumented. The term 'unorganized sector' as per NAS (National Accounts Statistics) refers to those enterprises whose activities or collection of data is not regulated under any legal provision or do not maintain any legal accounts (<http://labour.nic.in>). In addition unincorporated proprietorships or partnership enterprises, or enterprises run by corporate societies, trust, private and limited companies are also covered. Again, as per NAS, the organized sector comprises enterprises for which statistics are available from the budget documents, or reports, etc. When viewed within a non-collocated, globally-distributed setting, as is becoming increasingly prevalent for all organizational forms, the dearth of literature documenting these phenomena is puzzling.

THE GLOBALLY-DISTRIBUTED INDUSTRY

This study looks at the emerging economies of the world, like China and India, and identifies an industry which has globally-distributed work units that stand out remarkably in terms of the speed of growth and global market share captured. The Indian Gems and Jewellery (GJ) industry is one example of a labor-intensive, unorganized sector which has witnessed phenomenal growth in the last few decades as shown in Table 1.

Table 1

Within the Gems and Jewelry Industry, the Indian CPD (cut and polished diamond) sector contributes more than 80% to the Gems and Jewelry industry (Table 2) and is comprised of a large unorganized sector in excess of 100,000 small to medium-sized family run firms, which rely on the craftsmanship of their mostly uneducated employees to produce the lion's share of the world's market in cut and polished diamonds (personal conversation, 2006). This industry and this sector provide an ideal setting to study the criteria for success for such new organizational forms. That these unorganized, globally dispersed companies appear to gel or 'fit' into a more 'organized' framework later in the value

include global supply chains, global software development, offshore business and knowledge process outsourcing, and global R&D (Mohrman, Klein, & Finegold, 2003). There is very little explanation of the labor-intensive emerging markets moving up the value chain in the globalized economy, and even less so of the unorganized sectors becoming more organized and capturing a global market share such as we've documented above for the diamond industry in India. Our intent then, is to study these new organizational forms, as represented by the CPD sector in India. Accordingly, the influence of work design through collaboration intensity, use of skilled manpower and technology support for work and the cultural context all play a role in understanding the activities of the globally-distributed, highly laborintensive CPD trade.

From an international business perspective, although there is a rich body of literature that models a firm's decision on where to locate different parts of the production process, all models assume perfect inter-sectoral labor mobility. For example, Jones and Kierzkowski (1990, 1991, and 2001), Dixit and Grossman (1984), Krugman and Venables (1995), Deardorff (1998a and b), Yi (2003) and Amiti (2004) developed models for where different parts of the production process will be located. They note that when trade costs or technological progress leads to international fragmentation of different parts of the production process, firms engage in input trade and this can be thought of as a type of outsourcing, however these are models of non-integrated firms where trade is typically referred to as arm's-length trade. Outsourcing can *also* take place between verticallyintegrated firms such as in Helpman's (1984) model of vertical foreign direct investment, which is referred to as intra-firm trade. Antras (2003) introduces incomplete contracts to study ownership decisions (whether firms should own the plants producing intermediate inputs or not); Antras and Helpman (2003) combine the ownership decision with the decision on whether intermediate input producing plants should be located abroad or not. The Internationalization Process (IP) model (Johanson, Vahlne, 1977) is mostly characterized as a learning model (Forsgren, 2002), in which experience is the main explanatory construct (Blomstermo/ Sharma 2003) and tries to explain the gradual internationalization process. In 2003, the same IP model mechanisms were tied closer to the network view of industrial markets by focusing on the critical role of building and changing relationships between network partners (Johanson, Vahlne, 2006). However, all these models refer to the 'organized sector' and provide no clue as to how to apply them in the unorganized sector context. The publication of *Toward a Theory of International New Ventures* (Oviatt and McDougall, 1994) attracted worldwide attention to the growing role of young firms in the global marketplace. The inability of existing IB theories to explain the formation of INVs or new organizational forms such as those observed in India's unorganized CPD sector which feeds into a more organized sector is a serious challenge for scholars interested in GDW and indeed how to best organize the unorganized. Another key challenge is that new ventures do not need to own their resources in order to internationalize their operations and that such organizational forms are defined by their actions and **not** by the type of the resources they have or control (personal discussion, 2006), at a minimum some of those actions must be construed as culturally-based.

Fundamentally, there is a dearth of empirical studies in this area of research. We examined the literature to identify the predictors of performance and success of GDW teams in organized and unorganized sectors. Zahra, Ireland and Hitt (2000) studied 300+ private independent and corporate new ventures in the US to show that greater diversity of national environments is associated with increased technological learning opportunities. Steensma, Marino, Weaver, and Dickson (2000) drew heavily on both resource dependence and transaction cost perspectives and studied 494 firms in Australia, Indonesia, Mexico, Norway, and Sweden to uncover the influence of national culture on formation of technology alliances. That study focused on industrialized Western countries only, hence the need for a broadened international cultural focus.

MODEL DEVELOPMENT AND HYPOTHESES

As earlier discussed, Collaboration Intensity (CI) is defined as the required level and frequency of interactions needed for initiating and sustaining joint action and mutual awareness of team members; the flux of activities in teamwork; the evolving work-object and the context of the collaborative situation. Interactions include both conscious and subconscious communication actions, observation and anticipatory behavior based upon prior experience, anticipation of other's moves, behaviors, and their consequences (Kumar, van Fenema, Von Glinow, 2005). In organization design and interdependence theory (Thompson, 1967; Van de Ven et al., 1976; Kumar et al., 2005; Kumar et al., in process), teams are considered vehicles for supporting intense collaboration.

In the CPD sector, it is likely that the frequent interactions and the intensity of collaboration amongst the family members who dispersed globally to initiate the setting up of this business played a crucial role in the success of these teams.

Hypothesis 6:

Motivation Orientation, which refers to incentives and rewards that a firm allocates to promote and direct its people and organization to explore and exploit opportunities in foreign markets, is positively associated with collaboration intensity and therefore greater success of the GDWT.

The Conceptual Model:

COLLABORATION INTENSITY CULTURAL ORIENTATION GDWT SUCCESS+ + +

THE RESEARCH METHOD:

An extensive literature survey is carried out to get a broad picture of the CPD industry through GJEPC, IDI (Indian Diamond Institute) and Surat Diamond Association, Surat and others. Since the city of Surat alone houses 10000 diamond units and accounts for 90% of the diamonds processed in India, we conducted our survey in this city. The sample is drawn from 40 CPD firms from the unorganized sector, and 5 CPD firms from the quasi-organized sector. Triangulation occurs with the Director, IDI and President, Surat Diamond Association. Detailed data are gathered through in-depth interviews and structured surveys. Given the exploratory nature of these unusual forms of organizing whole groups/sectors of work, we elect to use another typology of work recently proposed: (Kumar, van Enema & Von Glico, in process). Given the early stage of this research, preliminary findings will be presented at the GDW Conference.

IMPLICATIONS FOR THEORY, PRACTICE AND RESEARCH

We believe this study will have significant implications for theory as it explores an untouched area of the unorganized sector of the CPD and their innovative value systems and operations. To achieve success in this new organizational form using globally distributed teams, and examining the collaboration intensity and cultural orientations will add significantly to the body of literature on interdependence theory.

This study also seeks to uncover the secret of such massive 'entrepreneurial' success framed within a new type of 'unorganized' network of people involved in globally distributed teams. Clearly there will be implications for practice for small and large firms alike to understand the dynamics of international operations in distributed teams. This preliminary study on the multifaceted diamond industry opens a plethora of new directions for future research.

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