

Doing Business in South Asia: A Conversation by the Penn South Asia Center on behalf of Current Penn Undergraduates

Today we are talking with Laurent Demortier, past Managing Director and CEO for Crompton Greaves Ltd. He earned a Masters of Business Administration from the Wharton School in 1990.

You have had a very eventful career in the business world that has involved extensive travel, including in Asia. Can you begin by telling us about your current position?

Actually, in April [2016] I just stepped down from the position I've held since 2011 as Managing Director and Chief Executive Officer (CEO) of the Mumbai-based multinational Crompton Greaves. The Company's business focuses on designing, manufacturing and marketing the equipment involved in all of the phases—meaning, generation, transmission, and distribution—of power supply. So it is a big player in the electricity grid, the provision of business-to-business transmission services, and a key provider of equipment to big state utilities. While based in Mumbai as the CEO, I was handling some 47 factories Crompton Greaves has around the world, including in the United States (in Washington) and up in Canada. At this very moment, having just left Crompton Greaves I'm doing a bit of Private Equity work as I think about where next I want to invest my energies.

How did you initially get connected to an Indian multinational like Crompton Greaves?

Crompton Greaves is a significant player in the power sector and a prominent company on the Bombay Stock Exchange. So it was actually a company I was first trying to buy, rather than work for! When it became clear in the course of my purchase attempts that it would not be for sale, the then existing CEO asked me to instead come lead its management. By that time, back in 2011, I had extensive experience with the business world in India as I had been travelling to the country frequently when in my previous position at the French multinational Alstom. Alstom is a worldwide player in the rail transport business, including transnational networks like Eurostar, advanced high-speed trains, and suburban and regional metro lines. I had started at Alstom in 2000 and was head of business there until about three years prior to the announcement that General Electric was going to be acquiring its power and grid divisions in a large and controversial \$17 billion deal.

I had always been quite international—even in my first position at Honeywell, after I finished my MBA from Wharton, I was based in Belgium. At Honeywell I was focused on merger and acquisitions and strategy planning, managing

various companies it had acquired until Honeywell, itself, agreed to be acquired by General Electric in 2000 [in a deal that was eventually blocked by European Commission regulators]. That said, it was through my role at Alstom that my work really started to take me to Asia, especially China and to a lesser but still substantial extent at first to India as well. At Alstom I was based in Paris for my first seven years with the company and then Zurich for my last four. During that whole span of time, I was frequently—almost every month—visiting the company’s factories in various parts of Europe, Beijing and Shanghai, and Delhi, Chennai and Noida.

Can you tell us more about your background? How did you develop your interest in international business and how did you get to Wharton?

I’m originally from Southwestern France, from the Provence region. I come from a family of modest means that during my childhood, like so many in France at the time, was still dealing with the destruction wrought by the Second World War. So when I was growing up, geographic mobility and seeing the world were not necessarily natural expectations to have. I think from an early age all the more did this gave me a desire to travel and experience other places. Already when I was eighteen and had earned a little money of my own, for example, I took a trip to the United States. Really in those years, like for many in France, for me as well the outside world *was* the U.S. The same sense of wanderlust also informed my decision about ten years later, at the age of 28, to come back to the U.S. for my MBA. However, at that point I was not coming just for a trip. Rather, it was quite a big decision and quite a huge investment given that for the previous four years I had been working quite successfully as an engineer in the aerospace industry.

Let me back up a few steps though to explain my path further. I had always been very good in mathematics, and I obtained my first engineering degree earlier than most, when I was sixteen. Subsequently, this then led me to one of France’s Grandes Écoles, where I focused on engineering and physics. It was that initial educational background that led me to the aerospace industry. As an engineer, I was good at the work I was doing, which mainly concentrated on developing new systems for military applications, like helicopters. (I have earned a number of patents for new applications in areas like electronics, information technology and computing, and things like missile systems and night vision goggles.) Yet I always had known that I did not want to stay long-term as a technology researcher. I knew that I wanted to be in management. Being in a good job though, it was also clear to me that if I was to leave it, the decision really had to be worth it. Wharton was a place that to me at that time—in 1988—did seem to be worth it.

Was Wharton the only place you were intent on going? What about MBA programs in France?

As I said, coming to the U.S. was not a small decision, even for someone like me who had always been so attracted to travelling. Even though I knew that I wanted to do my studies abroad, I did apply to several programs rather than just to Wharton.

Recruitment by French companies generally focuses on younger students with less experience. Coming out of an MBA program in one's 30s the industrial sector will recruit you into the management program. However, as far as MBA programs in France go, though the curriculum is often quite similar to that in the U.S., my own opinion is that the pool of candidates are often not as attractive. So this was another reason why I felt getting my MBA training in the U.S. would be a plus. Overall, you could say that the three big drivers of my choice as a European to want to come for my business studies to the U.S. were, first, to learn business techniques, second, to meet people of different backgrounds, and, third, to experience a different educational culture. In France the approach to learning remains very classical and individualistic. In America students in business schools tend to be taught through more team-based exercises and case studies. (Though I do not mean to suggest that things in France are static. For example, in engineering—perhaps more than business—the courses have become much more open to drawing on the resources of the world at large. Instead of three years, for example, engineering students now take four, usually doing some time abroad.)

How were your years at Wharton? Looking back, what do you value most about your time there?

To me, *everything* was valuable. The best part of those years, in fact, was that they laid the basis for me to have a lifelong relationship to Wharton that has continued in all the time since and through interactions that have only intensified as an alumnus. Part of this is because of the access it gives you to the other people in the alumni network. However, even beyond the network of people, there is a great volume of sponsored activities that remain a vital link to Penn. For example, having been living in Mumbai the last number of years, there were always a lot of professors from the university visiting the city, creating the opportunity for a continuous learning process. While actively enrolled in the MBA program everything was very good, and I enjoyed my time immensely. Despite the big jump it involved, I do feel as if I was on a fairly linear track that got me to Wharton. That is, I knew I wanted to learn about the management side of business more than techniques, as is true of many engineers. As a result, at Wharton everything for me became a process of discovery.

I will say that intellectually speaking, compared to my engineering training, my studies at Wharton were, you could say, not as challenging, and the environment was generally not as intensely competitive as my experience in the French university system. That said, you have to remember that much of the education I got at Wharton did not really occur inside the classroom. Rather, it took place through the very intensive opportunities that were made available outside of the classroom to engage in network building and to gain access to the business world.

Is there anything about your experience at Penn that you wish would have been different?

Well, at present, I know that Wharton has proposed to create a larger collection of electives, which I think is a good idea. When I was in the MBA program I focused on finance but looking back I'm not sure if that was the best choice. At that time, investment banks were very dominant within the professional recruitment culture, and there was little opportunity to interact with players on the industrial side. So fostering a more open agenda in which students can build there programs more to their precise needs, I think, is always a good idea.

At the same time, it would have been good for there also to be more clear guidelines to help students navigate their way around the curriculum and to better structure their interactions with the business world. Especially for incoming students who didn't have an extensive business background, I think such measures would have been crucial. Even in my own case I'm not totally sure if I was fully equipped to get the most out of my time in the program. For example, I know now that it would have been a good idea for me to build up my skills in areas like communications, negotiations, and marketing. Although in theory I could have taken courses in those areas, as I mentioned before, I instead ended up falling into coursework on financial markets. (Of course, in my case, this also might have had to do partly with coming from Europe, where students often don't have as much choice.)

Let's now go back to your work in Asia. Can you tell us more about your experience with non-Western business cultures like in India and China?

I was always fascinated by economic globalization. And all of the businesses I've run have always involved having feet in multiple locations. The companies I worked with in the U.S. had operations in various parts of Europe. And the European companies had footprints in Asia. But you also have to remember that when you are in the factory and looking at things from the standpoint of the whole production chain, globalization means little. That is, there is a sense in which the various operations are simply part of one single or total factory, with those working in different parts of the world around one table.

As far as Asia in specific, I would say that if from the economic standpoint my life's early fascination was with America's 20th-century boom, by the time I started working in China in 2000 my awareness of Asia's coming boom had been some time in the making. In fact, I often still remember the effect on me of a book I read at the age of 16 or 17 that became very popular in France when it came out in the mid-1970s. It was by a government minister who was quite prescient in declaring that when China "wakes up" the world would "hear it." So even from that young age, Asia was always a bit of a mystery in the back of my mind business-wise. By the time the 1980s came upon us, therefore, I could not help but notice how unbelievable the speed with which China opened up was. The transformation from a peasant to industrial society was something to behold. My feeling was that in Europe there was at least a century of background to that process. However, it seemed as if in China it was happening all at once.

Beyond China (and India) though, I have also worked in Saudi Arabia, Australia, and Indonesia. So overall I'd say that long before the present, my feeling was that we were going to be seeing a process of business moving out of Europe (take Lucent Technologies, for example) in much the same way as after World War Two we saw a movement from the U.S. to Europe.

What about on a day-to-day level? Can you say a bit more about what it has been like learning to work in a place like Mumbai?

The types of companies I have been engaged with have tended to be involved in large-scale processes of technology transfer. Wherever my work has taken me, it has been as part of an effort to really build up business capacity—things like modernizing plants, training personnel, and adapting the product. This has meant that in some ways my focus has remained constant no matter where I have been based. And, of course, there is also the fact that while I was still headquartered in Europe, I had been working for ten years in various parts of India before moving full-time to Mumbai as the CEO of Crompton Greaves.

With all that said, even for me, it was still hard to fully grasp what was going on in Mumbai. In other words, I had good reason to think that I thought I knew how things worked. However, actually trying to manage an Indian company on a day-to-day basis while being headquartered in Mumbai was a different kind of challenge, and it necessitated a lot of additional learning. After all, I was the only foreigner to be the head of a Mumbai stock exchange listed company, and despite its historical ability to assimilate many influences and cultures India is not necessarily a melting pot. Cultural difference there is often managed instead through the ongoing emergence of different sub-populations that screens you off from those that you are not fully part of yourself. That dynamic plays out in the worlds of Indian business too.

In light of your experience working both in Mumbai and elsewhere in India and Asia more generally, what are your thoughts about the importance of being culturally and historically aware about the society one is doing business in?

It is critical. We should always remember that societies are complex and it is impossibly hard to know everything about them. But ignoring what you do not or cannot fully know is not an option. The Indian subcontinent has a very intense past. Indeed, even the modern nation state of India has seen so many active political, cultural and social battles just in the last seventy years that if you don't know about the forms of social difference underlying them you simply won't be able to function effectively as a businessperson. Even the most trifling example, say, of being cognizant of how Punjabis are not Gujaratis would illustrate the point. Personally, I think another way to think about the importance of cultural and historical awareness is that we all are constantly negotiating the problem of not being able to know what we don't know. Compounding this is that we only really ever learn what we don't know at moments when our not knowing is suddenly thrust upon us. So we are always bound to be hit with our own ignorance. As a result, being open to learning as much as we can should always be the default, since even that is never going to be enough.

Finally, is there any further advice you would like to give to current students who are interested in exploring work like yours?

To those at Wharton who may have strong expectations about their summer internships, I would say that they should take some time to work on the ground in a place like India where those expectations will have to be re-calibrated. It is worth realizing the worth of forgetting one's assumed standards and remembering that there are few opportunities like the ones you are afforded as a student to fully immerse yourself in a business culture that you are otherwise not familiar with. It will be difficult but worth it in the long run.

To those interested in the industrial sector more generally, I would say that it is best to jump in headfirst as immediately as you can. There is no point, in my view, in going into consulting or investment banking first. Of course, you have to like to do things with your own hands because in industry things move fast: costs of materials change, supply chains often don't last long, etc. So make the most of your classroom studies to maximize your chances of success in the fast-moving industrial world. There is a huge influence these days of leadership and communications skills, and those are well worth trying to hone. Companies are now interlinked across geographies and peoples, and those interested in industry need to be good at reading and understanding such linkages. All the so-called "soft skills" that we might think are not as practically important as what you get from a good finance or marketing class actually are just as important.