# SCIETY FOR HUMAN RESOURCE MANAGEMENT

## India: Building Sustainable Leadership Competency

Published by the Society for Human Resource Management

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### India: Building Sustainable Leadership Competency

#### Abstract

In Indian companies, change is occurring rapidly. In today's challenging economy, sustainable leadership competency is important for stability and growth of India's domestic and global organizations. This article examines leadership in Indian companies in the context of the cultural and economic climate as well as through research, which offers both clarity and questions about the appropriate pathways to build sustainable leadership.

#### Introduction

India's leap into globalization has been a contributing factor to its fastpaced growth. This article explores leadership and the competencies required to continue to fuel and sustain the extreme pace of life and business in India. Leaders in India operate in the midst of a multifaceted and fast-paced environment. The threads of culture are intertwined with the economic environment and India's drive to be a significant player in the global economy. Given the complexity of the country-such as history, culture and rapid change-and the unprecedented rate of growth that has launched India into the limelight worldwide, a discussion of leadership issues in India must be contextualized, with understanding of key changes in India. Written primarily for the Westerner learning about India, this article offers information, cultural context and research about sustainable leadership competency in India of the value to both Westerners and business executives in India.

#### Leading in India

India's future rests squarely in the strength of its leaders and their leadership ability. The backdrop of growth and change in India, a country with long-standing traditions and an established reputation in the global marketplace, is the environment in which every Indian company works and builds its strategic business and human resource plans. In the book *The Quest for Global Dominance*, based on a study that examined leadership over a 22-year period, the authors emphasize that today's executives in the global marketplace must consider India as core to their global strategies and leverage the country's human resources to transform the competitiveness of their companies.<sup>1</sup> As illustrated by rapid growth rate, India is building its global presence, with Indian leaders establishing themselves as strong competitors.

Today, with the influence of global organizations in India, a shift is occurring in Indian human resource management. Indian companies are increasingly strategically driven with experience and knowledge for increased work performance. Because of the focus on organizational performance and leadership in Indian domestic and global organizations, these value shifts are raising leadership standards. Today, Indian leaders are focusing on the next levels of leadership.

#### India's Changing World

Prior to discussing leadership competency in India, it is important to have a broad sense of the Indian environment. The country name, in its conventional form, is Republic of India, with "India" as the short form. The second largest country in the world, India has a population of more than 1.2 bil-

### Indian companies are increasingly strategically driven.

and less immersed in the culture of the past.<sup>2</sup> Although societal values in India continue to be strongly tied to tradition, Western corporate and global business values are slowly permeating Indian society and the workplace.<sup>3</sup> Cultural value changes can be seen in areas such as foreign investment, mass media, technological education and consumerism. Value changes in the workplace are more easily found in multinational corporations, where emphasis is placed on human capital

lion, with the median age of 25 years. The government is a federal republic, with Hindi as the national language and the primary tongue of 41% of the population (with 14 other official languages). English is the language for most national, political and commercial communication in India (see Figure 1).<sup>4</sup>

India is the second fastest growing major economy in the world, quickly gaining on China. In July 2009, the International Monetary Fund (IMF) raised India's growth forecast to 5.4% for 2009, while projecting the world economy to shrink by 1.4% in 2009. According to the multilateral lending agency, the Indian economy is projected to expand at a rate of 6.5% in 2010, while the world GDP is anticipated to grow by 2.5%.<sup>5</sup> environment makes India one of the most potentially profitable markets for international trade.

India's political history of state control, insulation from world markets and slow growth rates has been replaced with a society and business environment that

### India is **the second fastest** growing major economy in the world.

India's growing middle class reflects its significant economic growth. When India became a sovereign nation in 1947, the middle class was virtually nonexistent. By 1999, the size of India's middle class was unofficially estimated at 300 million people, with an average yearly income comparable to \$25,000 in purchasing power in the United States.6 The growing middle class, with money to spend, is a new phenomenon in India. In the past, Indians who had money would save their resources rather than spend. Now, with many choices and brands brought to the market in recent years-and new employment opportunitiesmany Indians enjoy spending. This

are more supportive of growth, poised to thrust India deep into the global economy. Changes in the political arena have included the relaxation or removal of government controls, the redefining of taxation policies for certain industries and governmental encouragement to increase exports and imports in the country as a whole.

#### A View From Within India

In India, leadership is a complex change management process. Nina E. Woodard, former executive director of SHRM India, lived in India for eight years and provides an inside view on the unique environment that influences sustainable leadership. She notes that in India, effective leadership helps people build and change the ways in which they have lived, survived and thrived for centuries, by offering new careers, jobs and brand choices. As Indian organizations focus on sustainable leadership, they are building and managing sizeable organizations with thousands of employees, sometimes in the tens of thousands. Company leaders realize that the growth of the country depends on effective and sustainable leadership in the business community in the midst of rapid and often unimaginable growth in both the domestic and global marketplace.

However, India is a country where one should not judge values or abilities by appearances. Western visitors quickly notice three aspects of India-poverty, large numbers of people and dichotomies-and may form incorrect assumptions about India based on these observations. For example, in the West poverty equals crime, but in India, that is not necessarily so. Mumbai, the commercial and entertainment center of India, is a "mega city." An article in the Indian newspaper The Economic Times reported that crime has decreased in Mumbai in the past 20 years (from 32,491 crimes

#### Figure 1 | India: Demographics, Economy, Culture

Demographics/Economic Factors	Cultural Aspects
Independence from British rule in August 1947	<ul> <li>Collectivist culture: An individual's decisions must be in harmony with family, group and social culture.</li> </ul>
Government: Federal republic	<ul> <li>Business is not conducted during many religious holidays.</li> </ul>
Official languages: Hindi and English	<ul> <li>Business in India is built on relationships.</li> </ul>
Population (2010): 1,214,464,000 (United Nations: http://esa.un.org)	<ul> <li>Kinship and friendship are very important.</li> </ul>
<ul> <li>Median age (2010): 25 years; ages 5–14 (21.8%); ages 15–24 (19.4%); ages 65 and over (4.6%) (United Nations: http://esa.un.org)</li> </ul>	<ul> <li>Education is considered an investment in economic well-being and prestige.</li> </ul>
<ul> <li>Economic growth rate: Last five years average growth rate is 8.1% (http://mospi.nic.in)</li> </ul>	Hospitality is associated with doing business.
<ul> <li>India's growth is fueled by an increasing middle class, estimated at 300 million people (www.indiaonestop.com)</li> </ul>	<ul> <li>Titles are highly valued, as in some other parts of the world, as is the university from which one graduates, the number of people reporting to the individual or the business, and the profession itself.</li> </ul>
Source: India: Building sustainable leadership competency (2009, SHRM)	



registered in 1984 to 30,197 in 2007), even though the population has grown substantially.7 Statistical reports indicate that in Mumbai there are more than 16 million people, and 9 million are said to be in poverty. Mumbai is the home to Dhavari, the largest slum in Asia and perhaps in the world.8 Mumbai also has some of the most beautiful and modern buildings in the world. Often, these two communitiesimpoverished and modern-coexist adjacent to each other. The result is an unexpected incongruity that can be confounding for a Westerner, with realities at both ends of the spectrum existing simultaneously.

There is a growing understanding of the importance of the environment in India. For example, the recent financial growth of middleclass incomes has led to a movement in personal, corporate and government investments to "go green" and invest in façade and repair work on apartment and business buildings as well as architectural and historical buildings that highlight the Mumbai landscape. In the past, environmental factors were not considered important. Rather, what was important was getting to work and surviving (that is, having enough to eat and a place to sleep, and perhaps saving a little for the future, since India does not have a social security system).

Further, in India, the climate for effective leadership is now forwardfacing—that is, the focus on the past has moved to a focus on the future. At the same time, there is a mix of tradition combined with technology, new cultural and workplace values taking the place of traditional views, and rapid growth in the marketplace. Paradigm changes for sustainable leadership include bold risk-taking and innovation, learning and adaptability, short-term to long-term commitment. One way to think about such broad differences is a scenario of traffic on a road in India, a metaphor for tradition and the new future-mirroring the context in which business and governmental leadership occurs. Imagine a busy intersection where the traffic light has turned red. There may be a Mercedes, an ox-pulled cart, a bike stacked high with fresh eggs, a hand-pulled delivery trolley filled with computer parts, and perhaps a cow (considered holy in the Hindu belief and thus protected) on the side of the road. Each is within inches of the other on the street, all nudging forward in anticipation of the change of the traffic signal from red to green. If this were to happen in the United States, there would mostly likely be an accident. In India, these economic strata exist in the same space and time. While this scenario is more likely to be

Rapid growth is taking place across all business sectors in India for all types of professional and craft positions. Organizational learning and experience are highly compressed due to the fast pace of growth and promotion of individuals who often have not yet had time to gain the depth of experience and maturity. In the Indian landscape, leadership competency is also compounded by the vast gap between the single incumbent leadership position and the next level. By necessity, new leaders are called upon to step up to fill leadership needs in their organization. However, this stretch in experience-and demand to lead—is effective only in the short term. Thus, Indian businesses can be at risk from continued pressure of economic growth and competition that pushes limits and abilities to keep the stream of qualified and competent leaders flowing.

Effective leadership helps people **build and change the ways in which they have lived,** survived and thrived for centuries, **by offering new careers, jobs and brand choices.** 

seen in tier 2 cities and is now rare in large metropolitan cities (such as Mumbai, Delhi, Chennai and Kolkata), it provides the newcomer to India with an understanding of how the traditional and the modern may coexist. Thus, defining and developing sustainable leadership in India is occurring in the same pluralistic environment, encompassing both "traditional India" and "contemporary India."

#### Rapid Growth and Leadership

Most leadership studies indicate that experience and exposure to different situations and cultures are the best teachers of leadership competencies. As in many other economies, the small- and medium-size enterprises (SMEs) are the backbone of India's economic growth and new job creation. According to data on the Indian government business portal, SMEs may have more than 80% of the GDP share in India, and if the global trend is true for India, then more than 90% of all enterprises in India are SMEs.9 Additionally, most SMEs aspire to hire people with MBAs to bring in talent needed to expand and succeed in India's competitive marketplace. Yet, many of these organizations serve as training grounds or finishing schools for creating employable talent for larger Indian domestic

and multinational corporationsresulting in high turnover rates for SMEs. Additionally, a large section of the Indian economy, known as the "unorganized" sector, cannot provide a leadership pipeline to the organized sector. The unorganized sector-also known as the informal sector-is named so because of the absence of traditional corporate structures, strategies and statistics. According to India's National Accounts Statistics, the unorganized sector refers to those enterprises whose activities or collection data are not regulated under any legal provision and those that do not maintain legal accounts.<sup>10</sup> Examples of the unorganized sector are the businesses that are run on the street corners and stalls in India.

Adding to these complexities is the voluminous number of new hires proposed for many business sectors. It is not uncommon to hear of a single retail company hiring 50,000 people or thousands of people being hired by the leading sectors such as IT and consulting. SMEs grow at a smaller rate, perhaps hiring 300 to 500 people or maybe even 1,000 annually. Absorbing and integrating these newcomers and helping them ramp up to the "adding value" stage make effective leadership development very challenging. There is little time to build strength-on-strength, as would be the desired pathway to build leadership competency within an organization. Thus, the reality for

leadership in India is softening or controlling the learning curve and dealing with double-digit growth in almost every employment sector.

#### Moving Toward Sustainable Leadership

In today's competitive economy, it is imperative for organizations to understand, develop and establish sustainable leadership. Formal research studies about leadership are important tools from which organizations can learn and grow. Trends in leadership development influence competencies, methods and tools (see Figure 2). Additionally, changes in society influence organizations and, in turn, expectations of leadership. A recent cross-national study that focused on the changing nature of leadership in relation to societal context revealed changes in leadership practices from traditional, individual approaches to more collaborative, innovative approaches.11

In Developing Business Leaders for 2010, researchers agree that the most important leadership competencies in the future include effective change management, development of talent/teams and effective collaboration/network-building. Other key leadership competencies are cognitive ability, strategic thinking, analytical ability, personal and organizational communication skills, diversity management,

#### Figure 2 | Five Trends for Leadership Development

- 1. Importance of leadership competencies.
- 2. Globalization/internationalization of leadership concepts, constructs and development methods.
- 3. The role of technology for communication with a geographically diverse workforce.
- 4. Increasing interest in the integrity and character of leaders.
- 5. Pressure to demonstrate return on investment.

Source: Adapted from Hermez-Broome, G., & Hughes, R. L. (2004). Leadership development: Past, present and future. *HR. Human Resource Planning*, 27(1), 24-33. personal adaptability, and talent management. However, certain traits can be obstacles to leadership success: insensitivity and personal arrogance, a controlling leadership style, risk aversion and a reluctance to address difficult people issues.<sup>12</sup>

The Center for Creative Leadership (CCL) focuses on leadership education and research. The CCL leadership competency model is one that could be adapted by Indian organizations, as its concepts closely match competencies uncovered by the Hay Group study of leadership values of today's most successful Indian leaders. It provides a solid base to move toward leadership sustainability, with three overarching leadership dimensions: organization, self and others. This model includes managing change, decision-making, influencing, risk-taking and innovation, as well as skills to broaden leader effectiveness, such as increasing individual capacity to learn, self-management, self-awareness and adaptability. Global dimensions include value-added technical and business skills and the ability to deal with complexity, among others. Ultimately, the accountability for sustainable leadership competency requires the full commitment of senior leadership, as demonstrated by expectations, actions and long-term commitment.13

#### Research on Leadership in India

The following recent studies identify Indian leadership traits and challenges, pointing to an increasing focus on sustainable leadership competencies.

- 2004—India CEO Study: The "Indian" Way of Leading Successful Businesses.
- 2006—Leadership Challenges for Indian Companies.



- 2007—The DNA of Indian Leadership: The Governance, Management and Leaders of Leading Indian Firms.
- 2008—How to Address HR Challenges Worldwide Through 2015.

#### India CEO Study: The "Indian" Way of Leading Successful Businesses (2004)<sup>14</sup>

This groundbreaking research identified distinctive Indian leadership traits. Bharat Petroleum Corporation Limited, a major Indian oil and gas corporation, commissioned the Hay Group to conduct an 18-month study comparing Indian leadership traits with global leadership models in organizations in Europe, Australia and the United States. Traits, behaviors and motives of 30 CEOs of India's top publicly traded companies were examined. The results showed that while Western and European CEOs are focused on corporate reputation, cultural change and succession planning, Indian CEOs are concerned about growth and innovation, altruistic business philosophy, patience and integrity, and formal and professional workplace relationships. Many Indian leaders work to create a positive impact for the country, their fellow Indians, their families and themselves. The idea of being invested in the future of the country is a catalyst for their success.

In sharing the survey results, a general manager at the Hay Group in Kuala Lumpur said that they were "surprised by Indian business leaders' extensive focus on growth and innovation, as well as the extent to which they took business risk to address society's needs." Other significant findings indicated that for titude and resilience were critical for CEOs, especially in the current Indian federal environment of reviews, lengthy negotiations and critical media. Regarding growth and innovation, the study found that outstanding Indian CEOs consistently look for new technologies, ideas and information to improve their organizations. However, compared with their peers in other countries, Indian CEOs have less focus on internal organizational politics. Furthermore, from an altruistic business philosophy, most outstanding Indian CEOs focus on meeting the needs of the country's huge middle and lower 1) Consistent execution of strategy.

- 2) Stimulating innovation.
- 3) Corporate reputation.
- 4) Expansion in India.
- 5) Speed, flexibility, adaptability to change.
- 6) Profit growth.
- 7) Sustained and steady top-line growth.
- 8) Business risk management.
- 9) Changing technologies.
- 10)Aligning IT with business goals.

### Top Indian CEOs demonstrate a high level of integrity and inner strength.

market segments by offering reliable yet inexpensive goods and services. Top Indian CEOs demonstrate a high level of integrity and inner strength. Finally, Indian CEOs prefer to maintain more formal and professional business relationships than Western CEOs, who avoid close relationships in the workplace.

#### Leadership Challenges for Indian Companies (2006)<sup>15</sup>

Research by The Conference Board notes that Indian companies that compete globally must have the ability to successfully benchmark against world-class organizations. For them, their challenges include managing sustainable growth, hyper-competition for markets and people, high employee expectations, emphasis on customer relationships, and altering traditional company organizational structures. Due to exponential growth in Indian companies, leadership challenges focus on growth strategies, speed of response, innovation and execution excellence.

The study identified the following top 10 business leadership challenges of Indian CEOs:

#### The DNA of Indian Leadership: The Governance, Management and Leaders of Leading Indian Firms (2007)<sup>16</sup>

Top Indian leaders share leadership attributes with their U.S. counterparts, yet they also have distinctive characteristics, according to the Wharton School at the University of Pennsylvania. In this study, 100 chief executives of leading Indian companies were interviewed. In contrast to U.S. business leaders. Indian CEOs are more focused on internal management, long-term strategic vision and organizational culture. They also place greater emphasis on setting a good example and motivating employees rather than gaining favor with shareholders. When asked about the competencies that were most important to their success in the past five years, Indian CEOs pointed to shared values and vision and building their top management team. They also differ from Western counterparts in terms of flexibility, familyownership in business structures and entrepreneurship/risk-taking. In India, unlike the United States and European countries, leaders often focus on internal issues because of the lack of a "safety

net"—such as social security or unemployment benefits—and thus Indian companies view investing in employees as "the right thing to do." However, some Indian CEOs tend to be hierarchical, which may be perceived as a negative trait. On the positive side, employee motivation in Indian companies is more personal and inspirational (e.g., helping to pull communities out of poverty) than the typical U.S. focus on corporate profitability.

#### How to Address HR Challenges Worldwide Through 2015 (2008)<sup>17</sup>

The Boston Consulting Group and World Federation of Personnel Management Associations identified leadership development as essential for sustainable leadership. With business leaders in great demand in India, this research reveals that Indian companies plan to quickly increase their actions to develop leaders. Figure 3 highlights the actions that Indian companies expect to take to promote sustainable leadership. As this study brings forth, Indian companies are intensely focused on effective and sustainable leadership in today's competitive marketplace.

#### Communication

Effective communication is at the heart of sustainable leadership. In today's global world, crosscultural communication is a key leadership competency. While an in-depth discussion of cultural dimensions is beyond the scope of this article, cultural values and behaviors are important factors, particularly for communication at the leadership level. (For additional information, see the 2008 SHRM Research Quarterly, "Selected Cross-Cultural Factors in Human Resource Management".

In his book, Speaking of India: Bridging the Communication Gap When Working with Indians, Craig Storti, interculturalist, management consultant, and founder and director of Communicating Across Cultures, emphasizes that it is critical for Western leaders to understand Indian culture and communication styles. When Western and Indian leaders work together, understanding cultural concepts such as power distance (attitudes of people of different cultures toward authority and distribution of power) can help mitigate cultural misunderstandings, particularly expectations around leadership styles and communication.18

#### Figure 3 | India: Actions for Leadership Development

1. Measure leadership skills through 360-degree feedback.
2. With assistance from external consultants, develop company-specific leadership seminars
3. Employ external coaches.
4. In the company, develop company-specific leadership seminars.
5. Through external consultants, assess employee leadership skills.
6. Use assessment centers to assess employee leadership skills.
7. Develop country-specific leadership seminars in cooperation with business schools.
8. Have senior executives assess employee leadership skills through action-learning seminar
9. Develop an internal virtual leadership institute.
10. Develop an internal brick-and-mortar leadership institute.
Source: Adapted from Boston Consulting Group, Inc. and World Federation of Personnel Management

Source: Adapted from Boston Consulting Group, Inc. and World Federation of Personnel Management Associations. (2008). Creating people advantage: How to address HR challenges worldwide through 2015. Boston: The Boston Consulting Group, Inc.

In an interview with SHRM, Mr. Storti pointed to the essence of cultural expectations that workers have of their leaders in India. "Leadership in India," he said, "is based somewhat on the model of the father in the Indian family, meaning that a good leader would exhibit many of the same qualities as an exemplary father: someone who looks out for and protects his workers, who takes responsibility for their development (as opposed to the West, where workers are expected to be largely responsible for their own development), who makes most of the decisions, and toward whom workers are very respectful, deferential and unerringly polite. Indian leaders typically do not consult as much with their subordinates, though they are expected to make all decisions with the well-being of the workers as their utmost consideration. A female leader would be expected to exemplify these same qualities."19 In fact, trends indicate that women in India have an increasing role in management, particularly in the multinational corporations that are investing in the concept of a global manager.<sup>20</sup> (For further reading, see SHRM's publication *Perspectives on* Women in Management in India.)

In today's globally dispersed workplace, it is also important to consider the essence of cultural expectations that workers have of their leaders-specifically, the ability to communicate effectively across multiple cultures at the same time. As pointed out by Lorelei Carobolante, SCRP, GMS, GPHR, SHRM Global Special Expertise Panel member and CEO/President of G2nd Systems, "communication as a leadership skill has become especially important, as the convergence of native and non-native English speakers is changing perceptions about language influence and cultural inferences. A leader must



develop awareness of how he or she can utilize English as a communication tool and a means to achieve collaboration, rather than an expression of cultural heritage, history and local contexts. Instead of focusing on cultural differences and regionalism, which can impede actionable communication in the workplace, global leaders must use strategies to facilitate the transfer of information, which is often hampered by the use of cultural shortcuts and cultural presumptions." Ms. Carobolante

#### The Next Levels of Leadership

The call for the next levels of leadership in India is evident in many of India's business sectors, where companies are demanding high-quality leadership.

A good example is that of the global arena, where the number of highperformance Indian companies is growing. The April 2009 issue of *Forbes*, "Global 2000," identifies large publicly traded companies

#### In the global arena, the number of highperformance Indian companies is growing.

emphasizes that using a culturally neutral approach to communication in meetings, projects and organizational directives leverages diversity and inclusion, thus enhancing collaborative synergy and innovation.

Finally, another important communication leadership competency is global mindset. This concept has been identified by cross-cultural management consultants as an essential leadership competency for today's business environment. Researchers Evans, Pucik and Barsoux define global mindset as "a set of attitudes that predispose individuals to cope constructively with competing priorities (for example, global versus local priorities), rather than advocating one dimension at the expense of others." Leaders with global mindset work effectively across functional, organizational and cross-cultural boundaries. They also work well with ambiguity, trust process over structure and are flexible and adaptable.<sup>21</sup> These traits are important for Indian leadership sustainability.

with exceptional growth rates from nearly 70 countries. Each company stands out from its industry peers, scored by its rankings for sales, profits, assets and market value. Of this group, 47 companies are from India, in contrast to 27 in 2004. Among them is Mahindra & Mahindra Ltd., specializing in consumer durable goods, ranked #1529 out of 2000 companies.<sup>22</sup>

Effective leadership clearly contributes to the success of these organizations. In an interview with SHRM, Rajeev Dubey, GPHR, President (HR, After-Market & Corporate Services) and Member of the Group Management Board at Mahindra & Mahindra Ltd., explains: "In a period characterized by exponential growth in global operations, both organic and inorganic, the big challenge for India, as well as for Mahindra, is to create global leaders of character who can champion our core values of customer-centric innovation while building sustained competitive costadvantage into our value proposition. That said, at Mahindra we are tackling this challenge through

an imaginative mix of five specific actions: 1) global assignments, both short and long term; 2) participation in national and international consortia of like-minded firms that are working together on global leadership programs; 3) creating platforms for problem-solving and action-learning, where managers from our global operations interact with domestic managers; 4) specialized acculturalization programs at Bodhivriksha, our in-house Leadership Centre; and 5) networking with international leadership organizations for best-practice benchmarking." Mr. Dubey's comments illustrate the wide-reaching creativity occurring in some high-performance global organizations in India as they reach toward sustainable leadership.

Accenture is another example of a successful global organization in India focusing on leadership, growth and innovation to succeed in the Indian marketplace. Like other MNCs, Accenture faces the challenge of talent management, or the ability to find, hire and keep large numbers of workers in the Indian marketplace. To address this challenge, senior management at Accenture focuses on the ability to lead change and develop leaders among its teams. As agents of change, they help define the leadership journey and the visionary goal, and measure progress against achieving the vision throughout the change process. With both its internal and external clients, Accenture positions senior executive roles to align constituencies and motivate individuals, thus helping leaders to envision success and lead change personally.23

#### Conclusion

On its journey to sustainable leadership, India is pioneering new paradigms and creating new opportunities for success that incorporate who it is as a people and culture. At the same time, India is leveraging the best of Western leadership practices for what it sees as important influences of global leaders while also determining best practices within India, adapting to regional styles as appropriate and moving forward on Indian successes. Ultimately, the global economy needs Indian companies to be successful and develop sustainable leadership competencies that will support not only Indian business success but also the global economy. With strong leadership, India is forging its future and, in doing so, will forever change the world of business and work.

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<sup>&</sup>lt;sup>19</sup> Ibid.

#### **PROJECT TEAM**

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ISBN: 978-1-586-44165-4