

## Approaching the Indian Markets

Following are excerpts from the address by Prof. Poonam Kumar, Chairperson, Mega Ace Consultancy to a delegation of French Préfets during their visit to India (Mumbai) on January 28, 2009. Prof. Poonam Kumar spoke of her reflections and experiences of working with Indian, European and French Companies & their approach to the Indian market.

**H**onorable members of the delegation of the Préfets, it is indeed a great privilege and pleasure to be sharing some of my experiences of having worked with Indian, European and French companies in their approach to the Indian market with this distinguished gathering. With recession setting in, these are challenging times for businesses around the world. Every other day we hear grim news of companies going bankrupt or laying off staff.

Globalization and deregulations of markets all around means that businesses can no longer remain isolated and secured in their own turfs as they used to be earlier. The forces unleashed by liberalization and globalization have put before business enterprises several challenges. Businesses which have transformed keeping pace with global dynamics have not just survived but are growing in leaps and bounds.

Any visitor to India is amused by the vast contradictions and far wider challenges that the country faces. With a federal structure, India is the world's largest democracy comprising 28 states and 7 centrally administrated union territories. It has 325 languages 18 of them are officially recognized and 1,652 spoken dialects, 6 ethnic groups comprising all religious denominations of the world. In India we have 5600 newspapers printed, 15000 weekly, 20000 periodicals printed in 21 languages with a total circulation of 142 million. We are largest producers of milk and tea, the second largest producer of wheat and rice. We have the largest motorcycle manufacturer in India, the second largest tractor manufacturer and the fifth largest commercial vehicle manufacturer. India's middle class is already larger than the entire population of the United States. India is also home to the biggest youth population on earth: 600 million people are under the age of 25. Over the past 17 years, we have had 7 governments with 5 prime ministers all of whom have followed one direction of growth, enabling the country to achieve an average annual GDP of 8.8 % from 2003-04 to 2007-08 making it one of the fastest growing economy.

However, India too is grappling with issues and challenges to sustain the elevated growth momentum that the country has now achieved. To talk of the trans-border movement of corporations, has an added significance in the wake of expected moderation in global growth due to a projected slowdown in the US and some other advanced economies. India has so far not been greatly affected by the financial turbulence in advanced economies. Although our growth process continues to be dominated by domestic factors, we need to recognize some changing global patterns, which could have implications for the macroeconomic prospects of the Indian economy.

The financial crisis of 2008 has snowballed into a global economic crisis in 2009, with crippled consumer spending, Asian exports collapsing and unemployment rising at an alarming rate. Hopes that fiscal stimulus measures will support global growth have not really had the desired impact due to the hard economic reality.

The recent fluctuations of the stock markets and the substantial loss of capitalization show the investors state of mind and their level of confidence and trust. India's stock market is no exception and has lost 60% of its value in the year 2008. The Economist points out that foreign portfolio investors, who last year put in \$17.4 billion, are having a rethink and have started drawing out investments.

In these times of crisis, businesses are striving to use their resources in a most productive manner to ensure they remain competitive. At such a time what makes India unique as a destination for developing business?

As you are already aware, the Indian economy has undergone substantial changes since the introduction of economic reforms in 1991. These reform measures were a comprehensive effort consisting of three main components namely, liberalisation, privatisation and globalisation. They included strategies like deregulating the markets and encouraging private participation; trade liberalisation; dismantling the restrictions on domestic and foreign investments; reforming the financial sector and the tax system, etc. All such policy initiatives radically changed the economic set-up of the country and integrated it with the rest of the world. Thus, India was placed in a globally competitive position so as to fully utilize its potentials and opportunities for rapid growth of the economy.

My experience of over three decades, working in both the academic and corporate sectors both in public & private sector in India as well as internationally, tells me that there are a few unique aspects that are characteristic of Indians and Indian companies. You will find them entrepreneurial in approach, aggressive, hardworking and ready to make quick and tough decisions. India today boasts of a young generation of people less than 25 years of age accounting for about 50 % of the total population. These are people, many of them well qualified who are seeking opportunities and ready to work 7 days a week to make things happen. There is a hunger and enthusiasm which results in positive energies.

But India is also a land of contradictions and huge divides - between the rich and the poor, the cities and the villages. Governments after governments have been grappling with these contradictions. Like in any other developing country environment the need is for "inclusive growth", ensuring that policy measures narrow the gaps between the rich and the poor, and ensure that the benefits of development in social and physical infrastructure reach both the urban and rural population.

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India is the largest free market democracy today. Being a free market means that policy changes are keeping pace with globalization efforts worldwide, and being a democracy means that the whole process has to go through a rather slow process consensus among socio-political players. An urgent need lies in bringing about radical transformation in the framework which regulates the processes in which governments deliver change. There is also a need to build capacities at various levels to handle these changes.

Take the infrastructure sector for example. The traffic jams which you experience as you move around would throw some light on this issue. The sector has been opened up for foreign investments but the pace at which decisions are made makes the process painfully slow. My experience of having worked with one of the largest infrastructure consulting firm from the UK is a case in point. The government is now aware on the gaps and is trying to bring about changes to overcome the same.

France has a huge legacy of industrialization. With one of the best educational system producing some of the world's best technical resources you have companies which have survived for several generations. However the perception and thought process of the people are different. In France the discussions veers around a 35 hour working week whereas at this pace of growth in India we seek to pump in 35 hours into each day. Both our countries are at various level of the growth curve. But relation between India and France have always been friendly and shown continuous growth over the years, though a lot of potential remains untapped. As President Sarkozy pointed out French companies invest a lot in India and the French government's efforts are to bring 12 billion euros in bilateral trade by 2012 and developing further investment both ways. Key sectors where France has inherent strengths continue to be infrastructure, environment and energy, agriculture and food processing, in which France is among the world's leaders and which is at the heart of India's development strategy.

In this context, I would like to throw some light on the findings of a study instituted by the Invest in France Agency in November 2004. The study, conducted by my firm Mega Ace Consultancy sought to gauge the perceptions of India Inc. on attractiveness of France as an investment destination through an interface with senior executives of Indian enterprises. During the course of the study we analyzed and interviewed top management executives of over 100 companies from a database of 400 leading Indian companies. Through our analysis of these 100 companies we were able to gather a definite inclination in the perception of India Inc. towards France as a country and as an investment destination. Some of the crucial inputs we drew from our study was that there was (a) an evident lack of market intelligence on France as an investment destination, (b) that investment prospects in France were relatively unevaluated even by first rung Indian businesses with global capacities, (c) that perceptions of France was as a high-cost economy with expressed resistance to outsourcing, (d) that language was a barrier to developing business in France, (e) that the perception of France was as being a consolidated economy (f) that stringent exit and labor regulations in France could deter acquisitions of French companies by Indian firms.

Business enterprises the world over have realized the need to align with each other and build strategies together to use their individual strengths to deliver products/services

which add economic value to their clients. Economists and strategists today talk of return on resources deployed as being most crucial for success of any enterprise. But international collaborations and partnerships do not always go on expected lines. A case in point is Peugeot's entry into India in collaboration with Premier Automobiles Limited. Peugeot bought an outdated auto plant from Premier in 1993 and within a few months faced an crippling labour strike. The company never made profits and accumulated huge losses and eventually pulled out of India.

The Peugeot experience shows that nurturing a successful partnership eventually depends on who one gets associated with. The need is to understand the huge socio-cultural differences that exist among enterprises in two countries.

France and India as countries have shared a warm political and economic relationship. In 1998, the then-French President Jacques Chirac made a high-profile visit to India, expressing his desire to build an "ambitious relationship," Chirac saluted India as "a nation which has affirmed its personality on the world stage." In January 2008, French President Nicolas Sarkozy visited India and was the chief guest at India's Republic Day parade. President Sarkozy expressed a desire to be able to visit India each year. In September 2008, Indian Prime Minister Manmohan Singh made a visit to France with a high-level delegation that led to the establishment of Indo-French trade in nuclear technology.

Both nations have reaffirmed the importance attached by both countries to their strategic partnership and their commitment to further strengthening bilateral cooperation in a wide range of areas. Both sides reiterated their intention to keep up the momentum of regular high level exchanges.

Today, the economic growth story achieved by India has attracted worldwide attention. Since the last five years I have been working with delegations of executive MBAs programme participants from the HEC School of Management, Paris for whom we have designed a week-long unique capability building programme entitled Comprehend India: Understanding Business in an Emerging Economy. Among these participants I have seen the vibrant youth from France looking forward to be being part of the globalization process managing business worldwide.

Through my experience, of having worked with several European companies with include corporate and financial institutions such as Total Fina Elf Petro Limited, Ces Onyx, Credit Lyonnais, Banque National de Paris (BNP) apart from the HEC School of Management and the Invest in France Agency, I find that traversing the cultural divide is a major concern that global corporations face. It is therefore important that as the companies are establishing business in India they are incubated and given the correct perception of the country. Eventually companies will be stand alone enterprises enthused with the ethos of their parent corporations and imbibed with the spirit of the new environment. But as they begin operations the need lies in supporting them to study the environment, building capabilities among the staff to work in local environments. Thus ultimately it is the softer issue of management which will ensure that companies venturing across the borders are successful.

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