

## **Dancing with the Elephant: Doing Business in India**

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India seems to be in the news everywhere these days. The Indian stock market is roaring back with a vengeance to its pre-global-crisis levels of 2007. More and more companies are announcing new hiring plans.

Prime Minister Stephen Harper made an official visit to India in November and agreed with Indian Prime Minister Manmohan Singh to explore a Comprehensive Economic Partnership Agreement between India and Canada. On November 24, US President Barack Obama hosted a state dinner for the visiting Indian Prime Minister. Beyond this glitzy showmanship, there is a new vision emerging of India as an important economic player in the global economy. India has shown itself not only to be a vibrant economy but also a resilient one. As a result, Canada-India trade and investment are expected to achieve new momentum in this decade.

For many Canadian businesses, India provides a great opportunity to diversify and to grow. However, getting to grip with the economic realities in India, and understanding some of the managerial issues in working with and in India are critical for success in the country. The Ivey School has a wide range of cases on India – both on multinational businesses in India, and on Indian businesses. Five cases have been selected here to illustrate some of the salient issues of doing business in India. American, French, South Korean, and Indian companies were chosen to provide a contrasting picture of how business is done in India.

Eli Lilly and Company's strategy of entering India in the early 1990s as a joint venture is a great starting point. Lilly had to counter the risks to its intellectual property rights (IPR) and ownerships restrictions while preparing to take advantage of the phenomenal potential in the pharmaceuticals market as well as opportunities in other areas such as clinical trials. Lilly entered into a joint venture with an Indian pharmaceuticals leader, Ranbaxy. The case documents the institutional transitions over a decade and also outlines the challenge Lilly faced of what to do with the partnership as the market dynamics changed over time. By the early 2000s, with India's IPR regime improved, ownership restrictions lifted and Lilly's market capabilities vastly improved, Lilly had to work through an agonizing phase of restructuring the partnership while keeping the relational capital with the partner intact. The case is an excellent example for senior managers.

Contrasting with the sophisticated pharmaceutical industry are two cases that can help in developing a strong analytical approach to the Indian market. Michelin Tires from France and Samsung Electronics from South Korea provide illustrative cases. Michelin announced in June 2009 that it will be invest more than US\$2 billion to set up manufacturing capacity in India. Samsung Electronics has emerged as a top-selling consumer electronics brand in India. For both these companies, the initial decision to enter the Indian market and invest amid the uncertainties was not easy.

Despite the huge promise in the tire market, in the early 1990s, 90% of the tire market was supplied by domestic companies. None of the major international players had a strong

presence in India. The Michelin case provides a good example of the analytics involved in undertaking such a massive investment. It reinforces the need to invest time and effort to understand the industry context and the underlying socio-economic forces driving the industry. As a more nuanced understanding of the players within the industry and why they are able to dominate within their market emerges, a better sense of timing the entry, and making an appropriate decision on the entry mode emerges. In the case of Michelin, it involved a protracted wait and entry through an acquisition.

Samsung Electronics provides a complementing scenario. While the Michelin case provides a fascinating case of an industrial product, Samsung provides an interesting study of a consumer product manufacturer. The consumer electronics industry in India has shifted from being a dull government-controlled market with fewer than five brands to a hypercompetitive market with both domestic and multinational brands. When the Indian government opened up the television market for foreign players, Samsung was one of the many international companies faced with the decision of how to structure an entry strategy so that it could position itself for market leadership in the long run. The Michelin and Samsung cases reveal good insight into market entry analysis with specific application to India. Two other cases, Louis Vuitton and Havells, reveal uncommon factors that every business executive considering India should be aware of.

In a country where more than 40% of the population lives below the poverty line, is there a market for luxury goods? Smart executives realize that population size alone is insufficient attraction for market entry. What matters is the purchasing power in the market. If you are a manufacturer of luxury goods or any high priced product, would you consider India? The Louis Vuitton case shows a real and practical dilemma that business executives face. Even if you assume only 0.5% of the Indian population may be remotely interested in Louis Vuitton's products that would translate to five million people! That is an attractive number. However, how do you find these people in such a vast country? The business challenge essentially translates from one of managing entry to managing channels.

Finally, Havells provides an interesting study of the growing international investment of Indian companies. Havells helps to demonstrate the opportunities and the challenges that can be found at a micro level. Havells was a midsize company, with revenues around US\$400 million, bidding for Sylvania's lighting assets. The acquisition provides a phenomenal opportunity for the Indian company to expand its product lines as well as its geographic reach, and more than double its sales. But, it comes with a hefty price tag, and with the uncertainties of integrating a complex cross-cultural business. Such are the challenges faced by Indian companies moving outward.

The decade ahead promises exponential growth in Canada-India trade. Reading these case studies will help prepare businesses to capture some of this growth.

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