

Chapter 1

So You Want to Do Business with India

In This Chapter

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For more than a decade, I've helped businesspeople from abroad come to India and understand the key factors that can play a big part in determining whether their Indian story is one of success or failure. I've worked with thousands of people, and I've heard innumerable stories. In this book, I boil down the collective experience and serve it up like a big plate of *samosas* (an Indian food — see Chapter 15 for more on food and how to eat it at an Indian business dinner).

The growth of India's economy in the last decade has been truly remarkable. What was 50 years earlier a relatively quiet country intent on remaining economically isolated has quickly developed into a world power that's predicted to continue driving the dramatic growth that many expect to be one of the defining trends of the 21st century.



Much of India's economic boom can be attributed to the influence of foreign corporations and companies. You can barely read through a newspaper today and not see a mention of an exciting foreign business that's gearing up to establish some type of Indian presence.

But what's in it for you? How can you capitalize on the continuing success of India's economy and use its many resources to grow your business? In these pages, I provide you with a primer on what India has to offer and how you

can take advantage of its economic bounty. You discover what makes India's business landscape so fertile and understand the specifics of what you need to do to sow your business's seeds and harvest a bumper profit.

So read on to glean the wisdom of the trail from those folks who've traveled it before. The info's all here, and you can use it however you need to.

Making the Decision to Come to India

If you're considering the possibilities of taking your business to India, know that many have walked the path before you and succeeded. After India made the decision to liberalize its economy — enabling foreign influences to join the economy — in the early 1990s, countless numbers of businesses and investors from abroad have come to the country and most are very glad they did. And you can enjoy the same type of success if you know what you're getting into and know what to do once you get there.

You may be wondering why so many foreign businesses have set their sights on India. Sure, the opening up of their economy is a nice development, but scores of countries throughout the world wouldn't get much action from abroad at all if they threw open the gates for foreign industry and investment. So why has everyone rushed to India? The reasons include the following:

- ✔ **India has a population of more than one billion people.** That's one of the most important factors in India's success. Plenty of people work in a huge variety of businesses, and an increasing number of people are able to spend money on products and services from foreign companies.
- ✔ **Salaries in India are often much lower than elsewhere in the world, and the quality of the work done by Indians is good.** Companies can hire Indians to do one or many different tasks, save a bundle, increase profitability, and not miss a beat in terms of quality.
- ✔ **Natural resources are abundant in India.** The raw materials needed to fuel many different areas of industry can be found within India's borders (which should come as no surprise considering the fact that India is the world's seventh largest country).
- ✔ **Indians are hardworking, often well educated, and usually have some English language skills.** Over 300 million speak English in India, which is more than the population of the entire United States (U.S.). The English language skills make India particularly attractive for Western businesses.
- ✔ **India is an ancient civilization and a young nation.** The ancient touch gives its people a calmness and the young are in the majority in India. They even predict 550 million teens in India by 2015, which means India will have a workforce and consumer base long after many other leading countries would have grown old!

This list is just a sampling of the reasons why India is booming — you can read many more details in Chapter 2. And to get an idea of how to take advantage of India's positives, check out Chapter 3.

Setting up Shop in India

Doing business in India may seem like an easy proposition. After all, much of the educated population speaks English, and the legal foundation of the country is based on established European traditions. But the Indian way of life and the Indian way of communicating may take some getting used to, which can impact how you set up and grow your business in India. The following example illustrates this point:

Some years ago, I invited a British associate to my Indian home for a visit, and gave him directions on how to get there. After listening to the string of instructions I provided, he politely asked, "Which left turn after the Chola Hotel do I need to take?" I thought about the answer to his question, and honestly didn't know.

"I'm not sure. Maybe the third or fourth left. There's a tea stall at the end of the road," I said.

"All right," he said, "I'll look for a tea stall then. I hope it's open when I get there so I don't miss it. And which house on the left is yours?" Again I thought about the answer, and again I wasn't completely sure. I knew which house was mine, but I didn't know how many other houses were on the same side of my street!

"Hmm, let me think. First is the Appaji apartment, then there's an independent house, then another one or is it two?" I said. "Maybe it's the fourth or fifth house. I'm just not sure. Why don't you come to the Lifestyle store, which is near my house, and I'll pick you up there?" My associate agreed but then asked me how long I'd lived in that house.

"Oh, 28 years," I said, and he couldn't believe it.

That incident made me realize that not everyone in India is completely adept at giving great directions — myself included. I realized how important providing clear, succinct instructions was, and that realization has stayed with me to this day.



Focused communications are extremely important in Part II of this book, where I go into detail about the things you need to know and do to get your Indian business ready to go. Setting up shop is difficult anywhere, but doing so in India, with all its business and cultural idiosyncrasies, can be particularly tricky if you don't know what you're getting into.

The key factors for getting started in India

So what do you need to consider as you devise and implement a plan for venturing into India? Well, for one thing, you obviously need a plan! Writing a business plan for an Indian business effort can be challenging because parts of the plan are the same as they'd be anywhere else in the world, but other parts need to be specifically catered for India. How much does your plan allow for the common obstacles that you may face while in India? How does it deal with funding issues? Throughout Chapter 4, I convey the important things to consider as you write your Indian business plan.

After you have your rough plan hashed out, you have some very big decisions to make — decisions that can make or break your burgeoning Indian enterprise. For example, what should you choose as your entry method? Should you consider a liaison office, or is a joint venture (JV) more appropriate for your situation in India? Where in India (geographically speaking) should you put down your business's roots? You can save a lot of money if you make a wise decision on that front. And how on earth are you going to go about hiring Indians for your staff when you don't know where or how to look?

See what I mean about big decisions? Fortunately for you, in Chapters 5 and 7, I provide all sorts of useful information to help you make the right choices for you and your business.

Many clients come to me in the early stages of their push into India with basic concerns that, as an Indian, I'd never thought of as confusing. They had trouble with the currency system or, more commonly, the system of counting in India that's very different from how the West counts. They also had very serious questions about the legal system in India (mainly how they could avoid it!) and how they handled their taxes. Talk about serious concerns! Working with them made it clear that these nuts and bolts issues weighed heavily on the minds of those people who are still in the early stages of doing business in India, so I provide you with plenty of useful info to cover those bases throughout Part II.

Oh, and what about that “o” word? Yes, you guessed it: *outsourcing*. That's one of the things that immediately comes to mind when Westerners think about business in India, and for good reason. India has quickly become back office to the world, offering business process outsourcing solutions that truly run the gamut. Don't worry, I include plenty of material on that topic for you to digest.

The importance of preparation

You can't underestimate the importance of preparation and studying up before jumping right into something. That's never been more clear to me than after I heard a story about the dangers of not being fully prepared when a Dane I got to know tried to get some investment interests off the ground in India:

I know this poor guy was from Denmark, on his *fifth* trip to India, still trying to find the best way in. He knew about the prospects that India had to offer, and he came to the country 18 months earlier, armed only with some rough information on how to get started. He acted based on that info and ran into hurdle after hurdle. After four futile trips, his initial enthusiasm wore thin, and he sought solace in an Indian bar. That's when he met another foreigner who, unlike him, came to celebrate a recent business success. They talked about Indian business prospects, and the Danish man immediately realized that he'd been barking up the wrong tree. To his surprise, *two* methods existed for foreign direct investment (FDI) in India, and for so long he knew about only one. He never took the time to prepare and find out more, and he spent months floundering as a result. But that tip was all he needed. He adjusted his plan, got started, and it's been smooth sailing for him ever since.



Knowing what you're getting into and making the necessary preparations is absolutely critical for getting the ball rolling on your Indian business plans, so make the most of the information I convey in Part II. You and your bottom line will be very happy you did!

Keeping Your Indian Business Healthy and Growing

Well begun is half done, as the saying goes. Once your Indian business ball is rolling, you need to do as much as you can to ensure that it keeps rolling and that the profits keep rolling in until you're rolling in rupees (Rs)!

Successfully growing and developing your business in India is somewhat similar to what you'd expect in other countries, but remember that India is in many ways a world apart. You need to have Indian business wisdom and know some tricks of the trade if you're going to keep moving forward.

For example, getting a firm grasp of the intricacies of Indian human resources can be challenging for many Westerners. Indians can think and behave very differently than people from other countries, and you must know how to take that into account when making plans for them in your business.

So building and maintaining an Indian team can be tough, and the same is true of building and maintaining a sound manufacturing presence in the country, if you're interested in that angle. Part III of this book helps keep you on the right path.

Building Relationships for Success

Understanding the ins and outs of Indian business etiquette is very useful — personal relationships are paramount when doing business in the country. You really do get just one chance to make a first impression, and it's imperative that you do the most with it when the time comes to dealing with your Indian colleagues and partners. But don't sweat the pressure. Figuring out how to work in the Indian context can be fun, as I discuss in Part IV.

And on the Indian business road, you're sure to encounter your fair share of potholes: customs problems, labor issues, contract disputes, and more. Some of it may seem daunting, but always keep in mind that difficulties exist with doing business anywhere in the world, and rest assured that the advice in Part IV can help you avoid many of the most troublesome potholes.

The importance of attitude and perseverance

As you go about your business in India, you need to remember that going to work with the right attitude and making a commitment to persevering through rough patches can go a long way. One of my NRI (non-resident Indian) friends learned this fact recently when he came back to India to work after many years of working in the United States.

He came back to his native land and found himself in a foreign work culture. Fifteen-hour shifts were commonplace, and full weekends off were

a distant memory! He had to set up a \$40 million plant, and every minute counted, so he worked incredibly hard and kept smiling through long days and an uncertain future. The plant launched successfully, and it all worked out in the end.

That goes to show that the right work ethic and attitude paired with a healthy dose of know-how can go a long way in ensuring success. You're responsible for the work ethic and attitude, and this book can help you with the wisdom.