

INDIA INSIGHT - 2011

## *Culture-Driven Soft Risks, Tactical Success & the 20/80 Rule*

Local culture driven soft risks in India can, by an effective and discreet RAM tactical strategy, lead to a competitive advantage in India - or, in failing to take adequate measures, to the undermining of corporate integrity, reputation and capital loss, and possible imprisonment.

Considerations include:

- KEY DRIVERS OF SOFT RISKS  
Two key drivers of the threats to UK companies already in India, or newly entering India are (a) subtle Manipulation by the Indian side (partners, agents, senior employees, local advisors, bureaucrats/ government officials, and (b) Corruption and Bribery.
- NOT A LEVEL PLAYING FIELD  
In India, the Rule of Law can prove to be a moving goal post, fuelled by the twin local engines of manipulation and corruption. Moving parts can range from community and family affiliations, vested politics, sheer opportunism, habitual behavior and cultural attitude.
- TACTICAL SUCCESS IN THIS FIELD  
The risks and commercial disadvantage can be neutralized by the timely adoption of a RAM Strategy attitude: Recognize - Assess & Measure - Manage & Respond. RAM the Soft Risks. This RAM Strategy is not quite the same as the business Strategic/Project Plan, Commercial Evaluation, or Legal/Financial Due Diligence stages prior to and when entering and establishing in India. Local culture driven Soft Risks by their very nature are subtle, hidden, undisclosed and least expected by the Western side.

- LIFE-CYCLE  
The RAM Strategy is a crucial effort by western decision-makers and risk officers to recognize and deal with soft risks that arise continually throughout the life cycle of entering, establishing, dealing and operating in India. As long as local partners, agents, advisors and government officials are to be interfaced. The RAM response can shift the power balance away from the local parties, allowing focus on real business.
- COMPETITIVE ADVANTAGE  
Knowledge of the underlying manipulation and actions of these parties can convert the commercial disadvantage into a competitive advantage by providing a choice of responses to balance self-protection and preserving the local relationship and opportunity.
- PREVENTION OF REPUTATION AND CAPITAL LOSS  
An apparently healthy P&L account from the India venture is a failure if reputation loss arises from underlying manipulation by local parties and corruption. Quite often, the local party may count on, and even arrange covertly, the threat to reputation loss to induce a shift of position. Trial of media is an increasingly common tool in the local arsenal, and the western side easily manipulated, leading to threat of a double blow by the home country media.
- CORPORATE INTEGRITY & THE UK BRIBERY LAW 2011  
Manipulation in India leading to involvement in corruption and bribery by local parties (partners, agents, employees, advisors) can potentially lead to strict liability in the form of imprisonment and hefty penalties for UK directors under the new proposed UK Bribery Act.
- 20/80 INDIA RULE  
Experience of doing business in India and achieving local cultural insights will indicate: 20% of the total effort in entering and succeeding in India will, if applied to paying attention to local soft risk scenarios, inevitably yield 80 % of the success in the Indian Venture.