# The great Indian... Grand Prix

WHITEFIELD INTERNATIONAL LTD

## India's economy is booming with opportunities and opportunistic local players. British success depends on the right "local footprint".

Whitefield International associate and Indian market expert, Harinder Lamba, CEO of LH-Blenheim Advisors Ltd, gives his views on how to take advantage of the opportunities for UK companies in India today. As India was preparing to host its first F1 Grand Prix on a shiny new world-class track near Delhi, India's Urban Development Minister declared in London that India needed USD 1.7 Trillion investment for building its Infrastructure (Power, Highways, Ports, Airports, Railways, Space, Urban Transport, Water and Waste, Oil & Gas, Logistics & Supply Chain, Housing) instead of the USD 1 Trillion estimated just an year ago; a stark reminder of the export opportunity for British capital goods, technology and services. Other hot sectors in India include Defence & Aerospace, Retail and Wholesaling, Pharma & Biotechnology and Media & Entertainment.

Most British companies realise the need for some local presence, but few realise how fundamental to success this really is, and that it's not quite the perfect textbook partner selection exercise. In this article, I highlight what comprises the 20% of your total effort required in order to yield 80% of the success in India.

### Getting it right from the start

First, British companies will need an update in attitude. Britain's nostalgic colonial past tends to lull companies into a false sense of "strategic advantage", making them vulnerable to local manipulation and loss.

Second, gathering generic research and information on India is necessary, but unlikely by itself to prepare you for realities on the ground. You may have met the UK India Business Council and the UKTI and attended several glitzy 'India Shining' conferences across Britain, with a crash course on Indian culture thrown in. What is needed though is to reflect more soberly on how Indians really think and how they see business "success". Many consider manipulation of western partners, corruption and bribery as 'fair game'.

### Localisation & route to market

India is one market where a local "foot print" really is crucial, with little room for error. The Indian system doesn't work, but the networks and relationships do. Things do not generally move in a logical or linear direction. It is likely to be a moving goal post.

In my experience Western companies tend to obsess about their technology, project management skills, ability to hire local Indians and shiny glass fronted offices in Delhi and Bangalore. All good and well. However, everyone cannot "partner" with the Tatas, and the Tatas are not suitable every time! What will drive success, though, is the ability to devise the right 'local footprint'.

Choosing the right local agent, distributor, or joint venture production partner must begin with the question whether one is needed in the first place. A wrong decision about a partner will set you back by years due to subtle manipulation, entanglement, financial bleed and the implications of undisclosed promises to officials, which may even trigger the UK Bribery Law of 2011.

Here I highlight some core considerations and attitudes crucial to achieve that 80% success:

### Is a local third party really needed?

Any business case must take cognisance of the soft risks (manipulation and corruption/bribery, political affiliations) that an Indian partner will import. India permits 100% foreign ownership in all business sectors except a strategic handful. Can the business plan be served equally, or more effectively, by setting up a 100% owned local subsidiary with an employed Indian team?

### Direct interface with customers

A British company must secure direct access/interface with customers. Indian partners tend to play blanket gatekeepers to customers and consider themselves to be the sole arbiters of local "relationships", restricting access to foreign partners. This poses a real risk of being manipulated into unrealistic commitments and of secret deals by local Indian partners bordering on corruption and bribery.

### Review of existing arrangements

Many Western companies have been in India for years, but continue to suffer from chronic under-performance due to the undetected incompetence and integrity issues of partners.

### Partnering from a position of strength

British companies need to shed their "culture worries" and be bold in pursuing project opportunities by direct unfiltered interaction with customers. One can then "bring in" a local partner(s) from a position of strength and on stronger terms.

### Equity control, and protect IPR

Indian partners tend to pursue bullying tactics to secure commercially unjustified 'controlling stakes' in joint ventures. Adopting a more assertive approach to "partner selection" and control issues means stronger (resisted by the Indian side) contracts, corporate governance and the physical aspects of day-to-day control over valuable intellectual property rights and proprietary brands.

### Financial & legal due diligence have limitations

The Western mind tends to assume that home country standards of legal and financial due diligence also apply in India. In theory yes, but some local parties tend to easily achieve picture perfect "box-ticking" and documentation. It is crucial to uncover the real position, background, reputation and track record of partners in India by further independent soft due diligence.

### Legal rights and soft due diligence

Proper legal underpinning is crucial. However, Indian partners may abruptly concede bitterly negotiated points. This is on the calculation that the complexities and delay-prone Indian legal system will make the British side vulnerable to "creeping" re-negotiation. It remains crucial therefore to properly 'uncover' your partner's pre-disposition by soft due diligence.

### Proactive monitoring & governance

Even when the local business is generating returns, in my experience there will be hidden financial bleed by trusted local partners. Failure to independently and discreetly monitor a local partner's influence on sales activity, accounting, procurement and the handling of government tenders and deals will all store up future reputational and financial risk.


### Conclusion

In the end, resisting the hype of "India Shining" and making a real effort to achieve some independence within the "inter-dependence" arrangements with local partners will determine if the great Indian boom will boost the fortunes of any particular British company bold enough to take the Indian elephant by its tusks. Individual attitudes to "localisation" and cultural risk will determine in each case whether British aspirations will win the race or suffer a hard landing right in the depths of the famous Indian quicksand known as the "dul-dul".

For further information and to talk to Harinder, please initially contact:

Mike Harling, Managing Director,
Whitefield International Ltd / 01672 851802
mharling@whitefieldinternational.com
www.whitefieldinternational.com