

CULTURAL DIFFERENCES BETWEEN INDIA AND EUROPE, THE CHANCE FOR AN INTERNATIONALLY OPERATING MANAGEMENT

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Abstract

The Indian market is growing very fast and therefore most important for many companies who are willing to export to low-cost countries. But the idea to sell goods in India requires more than just installing a distribution and production organization. Personal experience from the Author of this Article has shown that adapting the products tested in Europe to local conditions has not led to the desired success so far. The new approach is to develop new products with lower performance at very low costs by understanding the local customers' requirements. The following article gives an idea about the circumstances of doing business in India and wants to give an overview about criteria which needs to be taken into consideration to gain success in the Indian markets and how to transfer know-how from home markets to foreign sites.

Keywords: Global Engineering, India, cost reduction

India offers ideal conditions

More and more attempts are made to expand in low-cost countries like India. The emerging country with over one billion inhabitants is hungry for attractive products. However, there are many differences in the rules of conduct which Europeans should be aware of.

Customers differ in their rules of conduct and product applications. A business with appropriate preparation may be a reason and basis for a successful business. Which characteristics are specific for this culture and which small things can make a huge difference? Difficulties in projects often arise due to the way of communication. Time signals are perceived and can predict the chance of success.

The customer relationship

The customer's needs and wants must be clarified before one can start with the product development and the idea of a successful market entry.

The global vision to develop products in Europe and sell them in India is feasible only with modifications according to local requirements. The following criteria are taken into consideration for the success of a global vision, taking into account local requirements:

- Important country-specific characteristics
- The local market is subject to the respective culture
- Similarities will also be analyzed and transferred.

The idea to sell goods in India requires more than just installing a distribution and production organization. Nowhere is the growth of the middle class layer greater than in India. The population in India is huge as the IMF (International Monetary Fund) shows in its ranking.¹ This is a mega market with many small consumers.

People in Western societies, who can spend ten times more than ten people disposing of one tenth of the budget, have different buying habits. In 2010, the annual per capita income

in the U.S. was at 47,000 U.S. dollars, in India it was only 3,000 U.S. dollars. Even with continued economic growth, it will take more than two generations to reach the income level of the United States.

Nevertheless, the income in India is steadily increasing and the demand for industrial goods is high. In addition to modern machinery, household appliances and cooling systems, the demand for mobility is rising as well. Many problems in India could be solved by using latest technology from western countries.

The will and openness to technology leadership can be found all across Germany. However, the market entry does not begin with the export office. First, it is important to leave past experience and knowledge behind. In order to be successful it is crucial to distance oneself from the dominant logic that works safely in Western societies.

Personal experience has shown that adapting the products tested in Europe to local conditions has not lead to the desired success so far. The new approach is now to develop new products with lower performance at very low costs. A 50% solution of performance with only 15% costs is desirable. It is now necessary to “start from scratch” (Vijay Govindarajan and Chris Trimble, 2012).²



Example of standard passenger transportation on highways in India

Rich countries have an excellent infrastructure. In India roads, telecommunication, power plants for energy supply, airports, schools, universities, hospitals, banks and stock of raw materials are still in the developmental phase. The following picture shows an example of the daily water supply in a suburb in India, where most of the employees and their families live. Standard safety equipment, such as handrails and guardrails, are not known. Since it rains only in the months of June and July it is most important to secure reliable water supplies all year long. Hardly anyone is looking for technical solutions as there is usually not enough money to implement them.



Example of a daily water supply in Aurangabad, India

The introduction of new products and ideas at the low price market is often considered critical in Western societies. This is due to the fact that in the Western civilization culture and legal traditions are different and knowledge of the consumer and safe working conditions are provided, so it is not in India, especially different education level influences this fact.

However, all these are barriers to implementing new technologies. India has better chances with less resistance and faster implementation processes. On the other hand, India has problems for which not even the wealthy countries are able to offer solutions. Nevertheless, it is possible to introduce environmentally friendly technologies that are difficult to establish in Europe as existing systems must be depreciated only once.

Derived from three principles the following emerges:

- The market opportunities in India are huge
- India is highly differentiated
- Innovation is the profit, loss of export

This actually marks significant change in the corporate culture for the parent company.

Vijay Govindarajan and Chris Trimble mention five levels of thinking. In the first level only the markets of rich countries are interesting. Developing countries do not belong to these markets. The expected profit from export transactions is considered too low. In the second level companies try to sell existing products and to slowly enter the market with the strategy of initially lower numbers and the hope that after a certain time the business increases since it is assumed that the purchasing power is increasing in developing countries. Here mainly those products are marketed which the few rich consumers can afford in developing countries. The third level is the area of customization - existing products are customized according to the requirements. The product is basically the same; there are local manufacturers that can manufacture these components more or less. Achieving a cost advantage by favorably purchasing this, there is always the risk of poorer product quality. In the fourth level a new product is developed from scratch and in the fifth level stakeholders are global and not local.



Example of the "scratch" developed vehicle concept, a vehicle developed in India with a target retail price of about 2000 Euros.

The most interesting approach is the reason for new development. One has to start with the essential requirements of the customers and a solution that contains only the necessary work. It is important to consider not only the technical solutions but also the business model, new processes, new involvements and platform developments that can lead to

success. The generation of knowledge and understanding of both global and local markets, cultures and business models is the basis for a good international team. With a timely and appropriate support from these teams, it is possible to increase the company's business to the effect that the global power center will be located in their area, the local team in India.

Expansion into new markets requires an understanding of customer requirements in these markets and it has to be taken into account for the existing product portfolio. If this new product is successful, there is a chance to not only earn money in India but also in third countries or in Europe.

The influence of the factual and social competence

The following points serve as a guide for the personality development of the team members:

- The development of a profound understanding of the Indian customers
- Transfer of knowledge and abilities to India
- Social network can transfer local inventions and applications from India to Europe

These characteristics are the basis for executives who want to control their development and provide stability, creativity, versatility, flexibility and ingenuity in India.

An awareness of collaboration processes must be ensured in the global organization, for this the following points should be observed:

- Management and leadership circle meetings will be organized in India
- Programs for the formation of the executives in India should be developed
- Innovation conferences in India
- Transfer of staff, responsibility and money to India
- Development of a positive opinion prevails throughout the entire organization
- India is in the spotlight because of expatriates from all over the world
- growing experience
- Corporate events in India
- Creative Board appointments
- Creation of separate business scorecards for India with full earnings expectations and a focus on India

Personal experiences in India have shown that a strong localization strategy and the idea of a new product development are very important. The biggest barrier is not science, technology or budget. The management and organization play an important role for business success here.

The new company site should be officially established inspite of buying existing indian companies. Talented team members should come from within and outside the company. It should be noted that the new team should have both knowledge of the Indian market as well as experience in working techniques of the West. Unfortunately, there are only few such professionals on the free labor market. Here, the industry has to compensate the deficits through special training. Employees need to understand what the Indian market needs and they need to be able to develop solutions for these requirements. A technical feasibility from the available options must be developed and the existing market suppliers need to be taken into account. Furthermore, one should work closely with sales and marketing and keep active exchange with the R & D team as existing processes from Europe must be revised and sometimes even re-defined.

The local team is strengthened by the ability to access all the resources of the parent organization when specific development opportunities are not available in India. Designated employees of the parent organization or a "Lead Factory" have two tasks, the support of their own projects and of the new organization in India. By licensing payments from India to the "Lead Factory" a signal is being sent that expertise and support is being delivered and will be

paid for. Apart from the need to carry this out for tax reasons, the employees of the parent organization are more motivated to transfer knowledge if monetary compensation exists.

The leaders of the global organization should receive reports on a regular basis for early detection. This is an ideal "customer scorecard" with the following contents:

- How large is the Indian market?
- Which target prices are accepted by the Indian market?
- Will the customer endorse the risk for a new revolutionary product?
- Which other competitors are in the market, how fast and how aggressive are they?
- Can the right product be developed and is this product also manufactured under the existing budget?

In order to incorporate experience faster, monthly, or even weekly leaders must adjust the plans in even smaller intervals. This also speeds up the team building and knowledge transfer in both directions. A rapid and disciplined learning process should include the following:³

- Development of a team as quickly and cheaply as possible
- Awareness of decision-making on the basis of clearly identified "Lessons Learnt" Effects
- How good is the team at finding creative solutions and in the implementation of the defined strategy?

Successful business leaders need to possess great knowledge and should have a strong accomplishment. Very important are also the social skills of the corporate headquarters and its subsidiaries. In international network entities must be represented, who know each other.

Multinational organizations must ensure the economic support through networks. The best ideas do not always come from the corporate headquarters and that is why the development of networks across boundaries should be promoted. The way of thinking, the actions and leadership of an Indian team do not differ significantly from global companies.

When setting up the network between the parent organization and India the personal bond between the Western world and the new client is very valuable. The mentality of different cultures must be understood to integrate into a new world with a different language, social habits, working hours and climatic conditions. Regarding the product definition, a comparison between existing solutions and the real needs is helpful. It is always to examine whether production processes and material selection of the parent company in the West are also suitable for India. A process analysis and the courage to change are beneficial.

The Indian Culture

The friendly conversational style based on face-saving co-operation can have drawbacks, if one follows habits and experiences of the European culture. Vejn Sredić describes to his long experience in India:⁴

"India is a multi-faceted, for Europeans often confusing country."

However, if one is willing to understand the mindset of Indian culture, India offers huge opportunities.

Scheduling and conflict management usually need more time, compromise is much easier to achieve, provided one considers that neither party loses their face. By the willingness to adapt and redefine processes goals can be easily achieved but also the rule "create trust" applies here. Europeans often do not trust the Indians and have the feeling that Indians lie. Hard suspicion is not necessary but caution and examination are essential for success. In India, one loves long and extensive negotiations. Room for negotiation should be budgeted and it should be covered in the goal setting strategy. For Europeans it is not easy to build networks and it is possible that there are unlimited possibilities. In the public sector, it is very advisable to rely on local organizations, especially when it comes to approvals and compliance issues. Strikes are not uncommon and can lead to massive cost and schedule

problems. Contracts are suddenly worthless as there always are the unwritten information and requests between the lines.

The endurance of the Europeans in the negotiations is required and it is quickly learnt that "yes" does not necessarily mean "yes" and that a polite "yes-but" equals the European "no", which to say is considered rude in India. The Indian culture is characterized by enormous willingness to learn from a young age. They start to learn multiple languages because in almost every Indian state one speaks their own language. Even long periods of implementing training purposes are no obstacle but an opportunity for European companies for a rapid expansion. Job training is more important than experience in universities and schools in India.

Through tight management and daily retrieval of results it is easy to manage and implement change. Independent work can not be expected but it is even more important to have the knowledge and ability to be able to teach it to the workers. The quality is as demanded when previously explained exactly. Impossible things are possible for European thought patterns, such as the prototypes manufactured in record time by closely linked communication and transnational relations. Also adaptability in business is very distinctive when it is tried to implement the European parent company's properties and thought patterns. The English language has spread everywhere and in addition attempts are made to learn the European languages to deepen the relationship.

Conclusion

Design to cost reduction and international collaboration help to achieve the idea of a successful market entry in low cost markets like India in the primer stage. But to be successful in long term strategy it is required to start thinking in different levels. With the right methods and a clear concept – the quintessential skill of the running gear specialists – even the apparently unattainable can be accomplished. The key is seamlessly integrating key processes such as design, development and manufacturing and at the same time, leaving room for new ideas and starting from scratch. This sets many things in motion, including with the cost structures. The earlier that one begins optimizing costs in the product lifecycle, the greater the potential. After all, the product and process costs down the line are determined mainly in the development and production planning phases. When material experts and suppliers, developers, product engineers and production planners all pull together, predetermined cost targets can be a real challenge. To have a clear understanding and acceptance for different culture in working, living, communication and come together the relationship between different countries is very important and will help to achieve the quality results.

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¹ International Monetary Fund, 2010

² Govindarajan, TRIMBLE, 2012

³ CABRERA, BALANCE, 2012

⁴ Sredić 2012