outlook

2012 SERIES | BUSINESS CULTURE IN ASIA

GETTING TO KNOW INDIAN BUSINESSES

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ISSN 1177-7893 (Online-PDF)

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asia:nz FOUNDATION

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EXECUTIVE SUMMARY

The first paper in this Asia:NZ Outlook series[1] on the Business Culture in Asia highlights the different challenges that Asian markets present to New Zealand firms, compared with the more traditional Western markets. In particular, it focuses on the need for New Zealand firms to understand not only the 'hard' aspects of doing business in Asia, such as procedures, legal requirements and tariffs, but also the 'soft' side. This means becoming familiar with the cultural characteristics of the region and how these impact on business engagement. For example, the negotiation style in an Asian market is undoubtedly different from that in a Western market; further, it will vary, sometimes substantially, across different Asian markets. In fact, culture pervades most of the business activity in Asia, and no two cultures are the same. For any New Zealand manager considering business in Asia, an essential part of their knowledge toolkit is, therefore, a cultural understanding of their target market.

Among the Asian countries of most recent interest and importance to New Zealand are India and China. Both markets offer huge potential for New Zealand firms. India is chosen as the Asian market for this paper because, along with China, it represents one of the more culturally distinct countries in the region. India is expected to become a key market for New Zealand firms in the next few years, especially if a Free Trade Agreement is successfully concluded. The New Zealand Prime Minister launched the 'New Zealand Inc India Strategy'[2] in October 2011, which sets out six major goals, including growing merchandise exports to at least NZ$2 billion per year by 2015. New Zealand firms and their managers must be prepared for the opportunity in India, and a vitally important part of this preparation is gaining knowledge about the Indian business culture. This paper provides information and insights on this topic from a range of published materials, as well as from interviews with New Zealand and Indian managers conducting business in India.

ACKNOWLEDGEMENTS

The author would like to thank Asia New Zealand Foundation for commissioning this research. The generous contribution of the company managers who took part in interviews that have provided inputs into this paper is also recognised. In addition, the author acknowledges the other researchers on the Services Success in Asia project, on which this paper draws.

1 Oram, Rod (2011). *Getting to Know the Neighbours: Building New Zealand-Asian Business Relationhsips. Asia:NZ OutlookResearch Report,* http://www.asianz.org.nz/sites/asianz.org.nz/files/Getting_to_know_the_neighbours_outlook_0.pdf

2 *Opening Doors to India: New Zealand's 2015 Vision,* New Zealand Trade and Enterprise and Ministry of Foreign Affairs and Trade, 2011

INTRODUCTION

As the world's fourth-largest economy and one of the fastest growing, India is a key trading market for New Zealand. Interest in India as a destination country for many of New Zealand's goods and services has grown substantially in the past decade. Two-way trade between New Zealand and India has increased markedly, and this trend is expected to continue. The visit to India during June and July 2011 by the New Zealand prime minister signals the significance of the relationship between the two countries, and the importance attached to the Free Trade Agreement negotiations.

India is important for the New Zealand economy for several reasons. First, it offers a large, increasingly wealthy market that is receptive to many of New Zealand's products and services, as well as its innovations and technologies. Second, India's growth is expected to continue, so the market provides a long-term opportunity for New Zealand to build a sustainable business relationship. The third reason is India's attractiveness as a bridge into the global supply chains of a number of key industries. Many Indian companies are closely integrated into supply chains around the world, with these providing a platform for their future growth. Foreign suppliers to Indian firms can enjoy the benefits of their global supply chain involvements. Fourth, India is a stepping stone into other significant markets, such as the Middle East and the United States; several New Zealand firms have already leveraged this opportunity by partnering with their Indian business customers in their global expansion strategies. Fifth, Indian investment into New Zealand and into New Zealand businesses operating in India can provide necessary sources of funding for business development and economic growth. Finally, the New Zealand-India relationship is important diplomatically and socially. For example, the growing, well-educated and well-connected Indian diaspora in New Zealand provides a valuable resource for building sustainable businesses, as well as cultural and social links between the two countries.

In order for New Zealand to deepen its business engagement with India, managers must become familiar with the business culture and ways of doing business in this market. India's business culture is different from those of other countries, and this demands some adaptation in the approaches that foreign firms take to establishing business relationships. Many documented business failures in India of firms from around the world point to a lack of understanding of its business culture as a primary cause.

Research shows that effective relationships in cross-cultural business settings require both cultural awareness and adaptation to the partners' business practices.[3] Simply being aware of cultural differences is not sufficient to ensure successful business in India – foreign firms also have to adapt to the differences. How well these adjustments are incorporated into a business relationship is best measured by the perception of the business partner in the host country. For this reason, studies examining New Zealand firms' and managers' cultural sensitivity and adaptation should take into account the views of their relationship partners in India, notably their customers.

The purpose of this paper is to present an overview of the business culture in India. It aims to highlight aspects that are important for New Zealand firms engaging with that market, and explain why they are important and how they can be managed. The paper draws heavily on the recently published *Service Success in Asia. Building a Sustainable Competitive Advantage in Asia: Spotlight on China and India* study, and on the supporting material for this report[4]. Given that cultural understanding reflects individual perceptions from both sides of a business relationship, the paper incorporates the views of 14 New Zealand managers and 14 Indian managers from this study.

It is expected that the paper will provide a resource for New Zealand business managers contemplating, or already undertaking, business in India, as well as policy officials and others interested in gaining a better understanding of the business culture in this market.

3 Cateora, 1990; Francis, 1992; Kraft & Chung, 1992; Condon, 1985 (cited in LaBahn, D. W., & Harich, K. R. (1997). Sensitivity to National Business Culture: Effects on U.S.-Mexican Channel Relationship Performance. *Journal of International Marketing*, 5 (4), 29-51. (p31)

4 Lindsay et al (2011). Service Success in Asia. Building a Sustainable Competitive Advantage in Asia: Spotlight on China and India, March http://www.international-services-research.vuw.ac.nz

INDIA – BACKGROUND

India is a union of 28 states, each with its own legislature and state government. It also has seven union territories. While there are 415 languages spoken in India across these different regions,[5] and many different dialects, the official language of India is Hindi, with English as the accepted business language.

India has the world's fourth-largest GDP (purchasing power parity) at US$4.060 trillion (2010) and a GDP growth rate of 8.5 percent (2010-2011). There is, however, a large income disparity in India, with many extremely wealthy individuals. However, its overall GDP per capita (purchasing power parity) of US$3,608 (2011 est.) is very low compared with US$27,217 (2011 est.) for New Zealand and US$48,665 (2011 est.) for the US.[6]

Politically, India is a democratic federal republic, having gained independence from Britain in 1947, after 89 years of British rule.[7] Its political system has remained modelled on the Westminster system. With a population of 1.2 billion, India now constitutes the largest democracy in the world. Policy changes after economic liberalisation in 1991 encouraged foreign investment, and industries such as steelmaking, telecommunications, aviation and electricity generation were opened to privatisation.[8] Up to 51 percent foreign equity was permitted and, with approval, up to 100 percent. Tariff reduction was undertaken but, although tariffs on average have reduced, agricultural-product tariffs are still high.[9]

The service sector in India has grown substantially in the past few decades, and services now account for approximately 60 percent of GDP, similar to that of many developed countries.[10] The information and communications industries contribute most to the services sector, with banking, business services, and education and health services also playing significant roles.[11] India has gained a reputation as a hub for software development and business-process outsourcing, with these industries accounting for 5.4 percent of GDP in 2007.[12]

5 Ethnologue Report for India – http://www.ethnologue.com/show_country.asp?name=India. Accessed 22 July 2011

6 International Monetary Fund: http://www.imf.org/external/pubs

7 The British presence in India lasted for nearly 350 years; Britain first gained power in India with the passing of the India Act in1858. (Keen, Shirin (1998). *The Partition of India,* Spring. http://english.emory.edu/Bahri/Part.html. Accessed 15 September 2011)

8 India's economy: The half-finished revolution. *The Economist*. 22 July 2011 http://www.economist.com/node/18986387 Accessed 22 July 2011

9 Hill, C. (2011). *International Business,* 8th edition, McGraw Hill

10 India's economy: One more push. *The Economist.* 22 July 2011

11 Eichengreen, B. & Gupta, P. (2011). The Service Sector as India's Road to Economic Growth, *NBER Working Paper No. 16757*, February

12 Hill, C. (2011). *International Business,* 8th edition, McGraw Hill

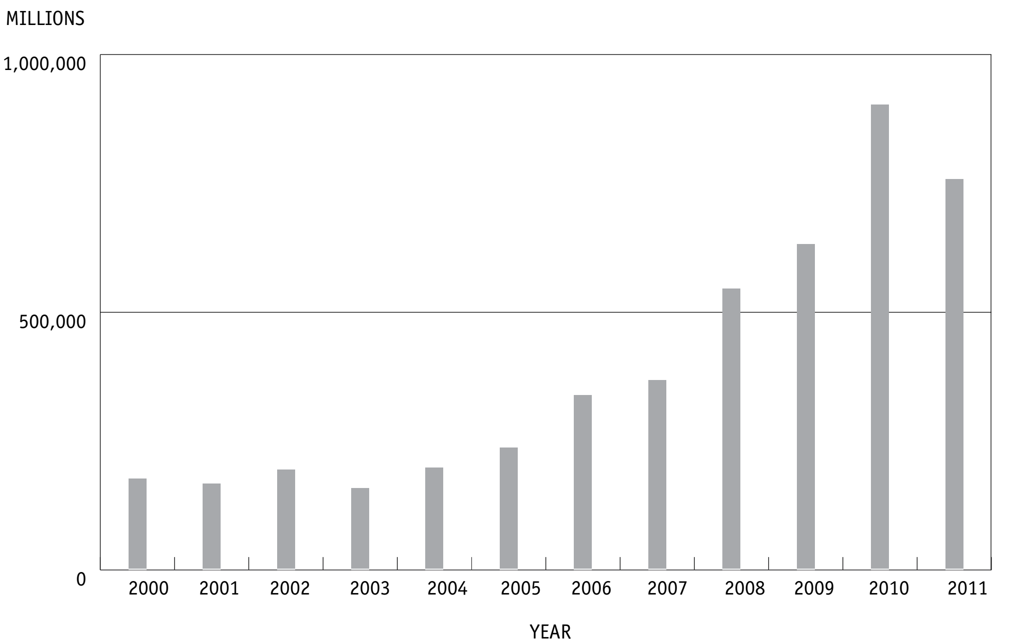
NEW ZEALAND-INDIA RELATIONSHIP

New Zealand and India have many aspects in common: "Drawing on a shared history, India and New Zealand have much in common – parliamentary democracy, Commonwealth ties, the English language, similar legal systems, our admiration for the late Sir Edmund Hillary, and a fondness for cricket".[13]

Politically and diplomatically, New Zealand enjoys a positive relationship with India. This is particularly noticeable from the increasing number of Ministerial and Prime Ministerial visits in recent years. Negotiations for a Free Trade Agreement between New Zealand and India are well advanced, with five rounds already completed. The recently developed New Zealand Inc strategy for India aims to facilitate greater engagement with the country through collaborative activities between New Zealand government agencies.[14]

India is now New Zealand's seventh-largest export market. Trade volumes between the two countries have shown substantial growth in the past five years, with New Zealand annual exports to India now worth NZ$917 million (see Figure 1) and imports worth NZ$370 million. In services trade, steady growth for New Zealand has occurred in education and tourism, with India being its fourth-largest and tenth-largest markets respectively.[15]

Figure 1: New Zealand Merchandise Trade with India (NZ$)



Source: Statistics New Zealand (http://www.stats.govt.nz)

The growing Indian diaspora in New Zealand offers much potential for further developing the relationship between the two countries. The Indian community of more than 100,000 in New Zealand (2006 Census) provides the opportunity for cultural learning and awareness for New Zealanders. It can also provide access to extensive business networks in India and globally.[16]

13 Ministry of Foreign Affairs and Trade: http://www.mfat.govt.nz
14 Ibid
15 Ibid
16 New Zealand Trade and Enterprise: http://www.nzte.govt.nz

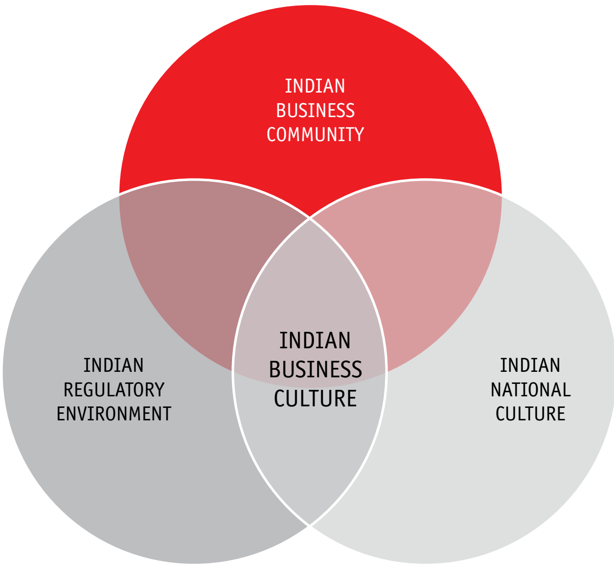
New Zealand and India enjoy strong sporting links, with cricket of having a particularly high profile. Sporting icons including Sir Richard Hadlee and Stephen Fleming are popular ambassadors for New Zealand. In addition, Indians have huge respect and admiration for the late Sir Edmund Hillary, awarding him posthumously in 2008 one of India's highest civilian honours, the 'Padma Vibhushan' award.[17]

One of the largest festival events in New Zealand is the Indian festival of lights, Diwali, enjoyed by the Indian community and a wide range of ethnic groups.

WHAT DEFINES BUSINESS CULTURE?

Understanding a business culture requires knowledge of the cultural characteristics of the country and its laws and regulations, and how they impact on the business community.[18] As illustrated in Figure 2 (below), a business culture results from the collective responses of local businesses to a combination of a country's regulatory environment and its 'national' culture – these are often referred to as a country's formal and informal institutions, respectively. They establish the 'rules of the game' in which firms and society operate.[19] As firms compete globally, they face different 'rules of the game', as regulations and cultures across countries vary. Thus the regulatory environment and the cultural characteristics of different countries have a strong influence on how their businesses operate.

Figure 2: Components of Business Culture in India



The legal and regulatory framework and the governance structures in a country largely constitute its regulatory environment. They enforce the rights, duties, responsibilities and privileges of the local population, including business entities. How well the regulatory environment functions determines the ease with which firms are able to do business in that country. Its influences include the effectiveness of law enforcement, extent of bureaucracy and corruption, and recognition of property rights. The regulatory environment also affects the economic status and wellbeing of a country, and these are evident in indicators such as the level of infrastructure development, cost of labour and consumer spending power.

17 New Zealand Trade and Enterprise, June 2011, *Exporter Guide: India, Country Brief.*

18 Kraft, F.B. & Chung, K.H. (1992). Korean Importer Perceptions of U.S. and Japanese Industrial Goods Exporters. *International Marketing Review* 9 (2), 59-73

19 North, D. (1990). *Institutions, Institutional Change and Economic Performance.* Cambridge: Cambridge University Press

The culture of a country comprises the codes of conduct, values, beliefs, norms, behaviour, unwritten rules, conventions and generally accepted ways of thinking and operating in a society. The culture usually reflects the country's heritage, language and religious beliefs.[20]

Why does culture play such a big role in business in countries like India and China? Regulatory environments and national cultures differ in different countries and, therefore, impact on business cultures in different ways. However, the strength of the regulatory environments can have a direct influence on how prominent a role the cultural factors play in business relationships. The following explanation gives some insights into why this happens.

Countries with 'strong' regulatory environments, like New Zealand, tend to enable businesses to operate efficiently by minimising barriers and constraints and reducing uncertainty. In this setting, the cultural characteristics of the country tend to assume more of a background influence in business relationships, because the business environment functions effectively.

On the other hand, countries with 'weak' regulatory frameworks generally have high levels of business uncertainty and risk, reflecting inefficient and inconsistent legal and political structures, and poor regulatory enforcement. These countries tend to have high levels of bureaucracy and corruption, a lack of transparency in the application of the law, and often poorly developed economic structures, affecting aspects like infrastructure. Because the 'rules of the game' are unclear or badly implemented, cultural factors tend to dominate in business relationships, with cultural values, norms and behaviours assuming a more prominent role.[21]

Compared with more developed countries like New Zealand, India is thought to have a 'weak' regulatory environment – one that is less conducive to the smooth and efficient running of business, and in which firms face high levels of uncertainty and risk. Culture plays a more dominant and explicit role, and business relationships in India tend to be strongly influenced by the cultural values, beliefs, norms and behaviours of the Indian business community.

In summary, in contrast to New Zealand, India's business culture reflects a weak and relatively inefficient regulatory environment and strong cultural characteristics. It is important for New Zealand managers to understand these underlying influences of the business culture and ways of doing business in India, in order to operate effectively in the market.

BUSINESS CULTURE IN INDIA

India is a diverse country, with its many states having different regulatory systems and cultural heritages. Consequently, the business culture in India is not homogeneous across this diverse landscape. At a high level, however, there are commonalities across various dimensions of the Indian business culture, which, when contrasted with New Zealand's, suggest important avenues for learning and adaptation. For the purposes of this paper, the Indian business culture is represented as a 'single' concept.

The business culture in India has developed from a long cultural heritage, alongside a set of political and legal structures that bear influences from the earlier period of British rule. This combination has led to a unique national character that is evident across Indian society as well as in business.

20 North, D. (1990). *Institutions, Institutional Change and Economic Performance.* Cambridge: Cambridge University Press

21 Peng, M. W., Wang, D. Y. L., & Jiang, Y. (2008). An institution-based view of international business strategy: a focus on emerging economies. *Journal of International Business Studies*, 39 (5), 920-936

This section first outlines key features of the Indian regulatory environment that influence the business culture. It then provides an overview of India's cultural characteristics, values and norms, and discusses how these also contribute to India's business culture. The section ends with a summary of the Indian business culture that integrates these two components.

India's Regulatory Environment Shapes its Business Culture

In New Zealand, firms operate within a business environment that scores positively on most international indicators, including the corruption index, ease of doing business, and regulatory transparency. The business culture in New Zealand tends to mirror these largely positive indicators. In contrast, India's business environment ranks poorly on these measures, resulting in a business culture that reflects these shortcomings. The key features of India's regulatory environment relevant to its business culture are as follows:

Bureaucracy: It is well known that India has a complex and cumbersome bureaucracy, which impacts heavily on business and is reflected in the business culture of the country. The high level of bureaucracy partly reflects the legacy of British rule, where systems and processes that were established are now implemented in a society that is strongly hierarchical and poorly serviced with infrastructure. In a 2009 survey reported by *The Times of India*, the country was found to be the least efficient of 12 major economies across South East and North Asia[22].

Corruption: As indicated in Transparency International's Corruption Perceptions Index, India scores poorly in terms of corruption, with a rank of 87th out of 178 countries in 2010[23]. Recent protests in India reflect growing public concern about corruption and its impact on India's economic growth and participation in the global economy.[24] While usually accepted as an integral part of doing business in India, corruption impacts strongly on the engagement and performance of foreign firms in this market.

Legal framework: The legal system operating in the federal and individual state governments of India is based on English Common and Statutory Law, having begun in the time of British rule. The legal concepts and procedures are similar to those of most Anglo-Saxon countries.[25] As some indicators show, however, law enforcement in India is not as strong or transparent as in many of its developed trading partner countries.

Intellectual property right protection: India is a member of the World Intellectual Property Organization, which administers treaties concerning intellectual property. It is also a member of the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works.[26] Collectively, these cover all the key areas of patents, trademarks, industrial design and copyright. In addition, as a member of the World Trade Organization, India is subject to the Agreement on Trade Related Aspects of Intellectual Property Rights.[27]

Ease of doing business: In the World Bank's 2011 *Ease of Doing Business* report, India ranked 134th out of 183 countries, having fallen two places since 2009[28]. In contrast, China increased six places to be ranked at 79th in 2011.

22 *The Times of India*, Indian Bureaucracy Ranked Worst in Asia: Survey, 3 June 2009

23 Transparency International http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results

24 India: Anti-corruption Protests in India, *The Economist*, 27 August 2011 http://www.economist.com/node/21526904

25 http://en.wikipedia.org/wiki/Government_of_India

26 Intellectual Property (Updated on 1 August 2007). http://www.indiainbusiness.nic.in/investment/ipr.htm (Accessed 9 Mar 2012)

27 Intellectual Property Right Protection. *India Pakistan Trade Unit*. http://www.iptu.co.uk/content/india_property_rights.asp Accessed 12 September 2011

28 *Ease of Doing Business*. http://www.doingbusiness.org/~/media/FPDKM/Doing%20Business/Documents/Annual-Reports/English/DB11-FullReport.pdf Accessed 12 September 2011

India's regulatory environment influences its business profile

The regulatory environment can also influence the types of business that operate in a country, through, for example, policies on foreign direct investment, and business support programmes. In India, the business profile is the result of its early and current regulatory situations. To elaborate, one of the main features of Indian business is the dominance of family businesses, both large and small.[29] Indian family businesses became prominent in the late 19th century and now account for 95 percent of all Indian companies. Historically, they were seen as a means to promote economic freedom from the British and received special treatment and subsidies as part of the Swadeshi movement. Many became very inefficient during this time and did not survive India's economic restructuring in 1991. However, small family businesses remain a dominant component of India's business profile, alongside some of the huge family-owned conglomerates. Some of the latter have lasted for three generations, such as Birla, while others, like Reliance, have restructured their family ownerships, but continue to play a major role in the Indian economy.[30]

India's Cultural Dimensions Underpin its Business Culture

Many studies have shown that cultural traits have an impact on firm behaviour and performance.[31] Professor Geert Hofstede undertook a landmark study in 1980[32], identifying the main differences in cultural traits of managers from around the world. The results of his study have since been refined and updated and provide valuable insights into how the cultures associated with different countries differ across five main cultural dimensions[33]. These dimensions are shown in Figure 3 (page 9) as they relate to India and New Zealand. It is important to view these as relative measures, and to note that they are generalised at a country level, not taking into account differences that may occur within a country.

A number of differences are immediately apparent between the dimensions for India and those for New Zealand, which can help to explain the business values and approaches commonly observed in these two countries. These are briefly discussed as follows:

PDI (Power Distance Index): This relates to the extent to which less powerful individuals accept, and expect, inequalities in the distribution of power. The very high value for India is most obviously reflected in the strong role that hierarchy plays in Indian society, including in business. It indicates a country that has high levels of inequality in wealth and power. In contrast, the value for New Zealand is very low, as evidenced in the relatively equal distribution of wealth and people's equal regard for others, irrespective of positions of power.

IDV (Individualism): This refers to the extent to which individuals are integrated into groups. New Zealand has a high individualism score, indicating that the ties between individuals are loose, that people prefer to act individualistically and that they enjoy individual freedom. India displays a more collectivist society, where there is strong cohesiveness, particularly in the context of extended families. This is evidenced in the propensity towards family-owned businesses in India, and the emphasis on family values.

MAS (Masculinity): This refers to the distribution of roles between the genders, and also the degree of

29 Ramachandran, K. (2009). Indian Family Businesses: Their Survival Beyond Three Generations. *Working Paper Series,* Indian School of Business. http://www.isb.edu/faculty/Working_Papers_pdfs/Indian_Family_Businesses.pdf Accessed 12 September 2011

30 Varma, Vikas (2007). The great Indian family business. *The Hindu Business Line.* http://www.thehindubusinessline.in/2007/09/14/stories/2007091450290900.htm Accessed 12 September 2011

31 Hofer, A., Hofer, C., Eroglu, C., & Waller, M. A. (2011). An Institutional Theoretic Perspective on Forces Driving Adoption of Lean Production Globally: China Vis-A-Vis the United States. *International Journal of Logistics Management,* 22 (2), 148

32 Hofstede, G. (1980). Motivation, Leadership, and Organization: Do American Theories Apply Abroad? *Organizational Dynamics.* 9 (1), 42-63

33 Hofstede, G. (1991). *Cultures and Organizations: Software of the Mind.* London: McGraw-Hill, United Kingdom

'assertiveness' in a society. A masculine society tends to be more assertive, while the opposite, a feminine society, is seen as more modest and caring. India and New Zealand score similarly on this dimension, being reasonably assertive but not to an extreme. In a business setting, this is apparent in behaviours that signal respect and tolerance, but also a degree of assertiveness.

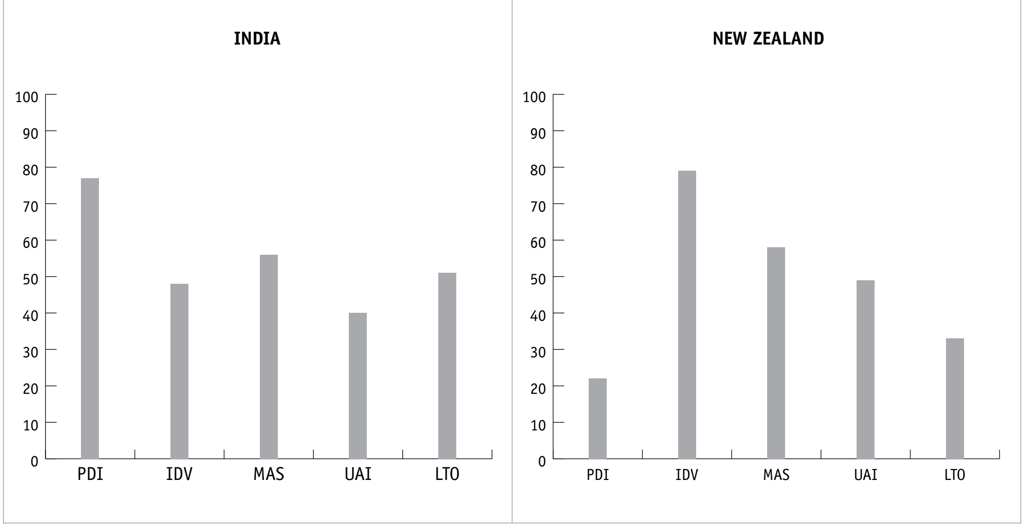
UAI (Uncertainty Avoidance Index): This reflects a society's tolerance of uncertainty and ambiguity. India's relatively low score on this dimension suggests that people are accepting of uncertain and ambiguous situations. In contrast, New Zealanders are less accepting and prefer to have rules and safety and security measures in place to minimise uncertainty.

LTO (Long-term Orientation): The opposite of short-term orientation, this dimension addresses the propensity towards thrift and perseverance. The scores for India and New Zealand differ significantly on this dimension, with India demonstrating a much stronger long-term orientation than New Zealand. This dimension is most evident in long-term perspectives of Indian managers, and the propensity of people to save.

Although broad and somewhat simplistic, this overview of the underlying cultural dimensions of Indian society and business provides some helpful insights into understanding India's business culture. In particular, being aware of the similarities to and contrasts with New Zealand allows for some explanation as to why and how the business culture in India differs from that in New Zealand, and how managers might respond.

In summary, the features of India's regulatory environment, and of its 'national' culture, outlined in this section, combine in a business setting to form the basic tenets of India's business culture. Foreign firms operating in India do so within this unique cultural approach to business, and most find it essential to understand these differences and adapt their own approaches accordingly. The next section presents some highlights of the experiences of New Zealand managers in working with India's business culture, along with the perceptions of their Indian business partners.

Figure 3: Hofstede's Cultural Dimensions for India and New Zealand



Source: http://www.geert-hofstede.com/hofstede_india.shtml

EXPERIENCING INDIA'S BUSINESS CULTURE: NEW ZEALAND AND INDIAN PERSPECTIVES

For most New Zealand managers, India provides a unique experience. But while many find it stimulating and exciting, they stress that India is not for everyone. Travelling and engaging in business in India requires stamina and resilience, an open mind and adaptability. Overall, managers perceive India as substantially different from most other countries in which they conduct business, and note the need to be mentally prepared for the new experiences that India offers. Firms that succeed there tend to have managers who are open to the challenge of understanding India's business culture and making necessary adaptations to their own business practices.

As already noted, India's business culture is a complex mix of factors derived from the regulatory environment and the cultural heritage of the country. The following discussion focuses on aspects of India's business culture that are relevant to New Zealand firms, and highlights how these aspects directly influence their experiences in the market. These aspects or features of India's business culture are clustered into four main themes, as follows:

1. Influences of India's regulatory environment
2. Influence of India's business profile
3. Styles of business interaction
4. Business practice and expectations

The features comprising these themes are shown in Figure 4 (below), and are discussed in the remainder of this section. Examples and quotes from both New Zealand and Indian managers interviewed in the *Service Success in Asia* project are presented to illustrate the points discussed.

Figure 4: Features of Indian Business Culture

1 Influences of India's Regulatory Environment

- India's diversity
- Diplomatic and political relations
- British heritage
- Bureaucratic approach
- Corrupt practices
- Poor infrastructure
- Intellectual property rights

3 Style of Business Interactions

- Traditional versus Western-oriented approaches
- Hierarchical structures
- Emphasis on relationships
- Partnership approach
- Long-term orientation and attitudes to time
- Negotiation style

INDIAN BUSINESS CULTURE

2 Influence of India's Business Profile

- Presence of large conglomerates
- Family-oriented businesses
- Technology, service and innovation orientation

4 Business Practice and Expectations

- Use of middlemen/intermediaries
- Large-scale production
- Price sensitivity
- Expectations of commitment from business partner
- Expectation of a presence in the market
- Expectations that the partner is culturally aware
- Need for adaption of products and services

1) INFLUENCES OF INDIA'S REGULATORY ENVIRONMENT

India's business culture reflects a number of features of the country's regulatory environment, some already introduced in earlier sections. These directly influence the way that business is conducted in India. They are:

- India's diversity
- Diplomatic and political relations
- British heritage
- Bureaucratic approach
- Corrupt practices
- Poor infrastructure
- Intellectual property rights

India's diversity

There are enormous contrasts within India that foreign managers often find hard to comprehend. For example, there are wide variations in adherence to traditional values, in geographies, cultures, languages, ethnicities and economic wealth, and in the characteristics of rural and urban, and old and new. An Indian manager highlights this point.

"Each state has its own ethnicity, its own language, its own food, and also sense of dress and dance. It's a terrifically complicated country." (Indian Manager 1 – Security Industry)

Most Indians thrive on this diversity and believe that India must be understood and enjoyed for what it is. They believe that foreign perceptions of India are often misplaced, suggesting that people still tend to focus on the traditional and economically poor aspects of Indian life, rather than its modern achievements.

Acceptance of India's diversity is a necessary part of adapting to the business culture. Foreign managers must appreciate how the underlying differences influence the business culture and approaches to business that they experience. Because of the complexity associated with this diversity, managers often focus initially on one relatively homogeneous area or market segment of India, where they can adapt to the specific business culture and build relevant capability.

Diplomatic and political relations

India and New Zealand enjoy positive diplomatic and political relations, and strong historical links. These underpin the openness between the two countries and India's warmth towards New Zealand people. For these reasons, New Zealanders tend to encounter a business culture in India that is receptive and warm, with Indian business partners being open to building relationships with New Zealand managers.

"New Zealand is seen as quite neutral, and we're not seen as a threat – and I think that helps. We're seen very, very well in India. So that neutrality is actually really important to us." (Former General Manager – Airways New Zealand)

British heritage

The Indian business culture is still richly steeped in the heritage of British rule. For example, business law is governed by the British legal system. Although the legal processes are often very slow and cumbersome, New Zealand managers involved in business in India tend to be reassured by operating within a familiar legal system, as the following quote captures.

"Having the British common law system in India makes a huge difference. In India, you know that everything happens very slowly, but at least it is based on English law."
(New Zealand Manager 1 – Creative ICT[34] - Industry)

Bureaucratic approach

India is well known for its bureaucracy, which markedly influences the way that business is conducted. The bureaucratic aspects of Indian business culture present difficulties and complexities for foreign managers involved in business in this market. Bureaucracy appears to be less evident in private businesses when compared with government departments and Government-run commercial organisations, which still tend to be plagued by slow procedures and decision-making, as well as opaque processes.

Bureaucracy makes regulatory procedures and systems in India particularly complex, meaning that foreign managers must spend time learning about how things work. Often, local people can help to navigate the regulatory and bureaucratic landscape, making this task easier. A New Zealand manager relates his experience.

"We spend a lot of time learning how the taxes are applied, the tax on a tax and duties and sales taxes and GST type of taxes. They're quite complicated." (Glidepath)

Because of India's bureaucratic complexity, key players in the market are often hard to identify or are inaccessible to foreign managers. Again, drawing on local people, such as agents, to identify and access relevant decision-makers helps to overcome these obstacles. Even with this kind of assistance though, outcomes are not always good for foreign firms. For example, as some New Zealand managers have experienced, bureaucracy can cause a business activity to stall at any stage, and business negotiations often come to nothing.

Corrupt practices

The bureaucratic environment in India provides a fertile ground for corruption. While many believe that corruption is simply an accepted part of the business culture in India, others suggest that it is not necessary to engage in corruption. This statement from an Indian manager explains the choices that companies have when it comes to dealing with corruption.

"Corruption is there at all levels, but I don't think that's a problem. Everyone is aware of it, everyone knows it's there and you've got to be wary of it, that's all. If you don't want to be part of the corruption, then don't be part of the corruption – that also works."
(Indian Manager 2 – ICT Industry)

34 Information and Communications Technology.

Corruption is believed to be more prevalent in government organisations than in the private sector. Increasingly, though, Indian companies are rejecting the use of corrupt practices and some of the major corporations in India openly publicise their aversion to corruption. However, as one Indian manager notes, having the support of a local partner is considered essential for a foreign firm when it comes to managing corruption.

"So there is still corruption, there is huge bureaucracy, there is red tape, there is a maze that you still need to get through. And therefore an Indian partner is essential." (Indian Manager 3 – ICT Industry)

Poor infrastructure

Although there have been some major advances in infrastructural development in some parts of India and in some industries, infrastructure is still poorly developed overall, and it is often an impediment to smooth business operations. Local businesses are largely accepting of these infrastructural difficulties, with most Indian businesses having adapted their business practices and expectations accordingly. For example, mobile phone technology is preferred over landlines and the Internet, because it does not rely on a power supply that often fails.

Infrastructure problems are experienced more often in rural areas than in urban centres, so affect agricultural industries more than others. On the other hand, in many of the new technology parks, infrastructure is believed to be of a world-class standard and these areas have attracted investment in substantial business developments by major foreign corporations, as highlighted by an Indian manager.

"You go to IBM in Hyderabad and you see the same IBM that you see in the US. So all those centres are there, and the infrastructure is there. Power is there. So it's all there – it's growing fast." (Indian Manager 4 – Creative ICT)

Firms exporting products to India sometimes experience challenges dealing with port infrastructure and bureaucracy. Foreign managers need to be prepared for potential delays in the delivery of their products to their customers, in the event that port and customs problems arise, as a New Zealand manager explains.

"India has a frequent issue where they just do not have a well ordered way of moving containers on and off ships and into their distribution system. So you frequently get ships sitting outside and delays starting to happen and levies being put in place by the shipping lines. They say, 'We've got a three-day delay and we're not going to accept any more cargo from Mumbai' – or something like that. So it's not an infrequent problem. It's one big stumbling block I see with India – the infrastructure." (Cargo Co-ordinators)

Intellectual property rights

Attitudes and practices relating to intellectual property are important aspects of India's business culture. India is perceived to have a relaxed attitude towards intellectual property rights, creating uncertainty for foreign firms.

As a result, foreign firms are often reluctant to develop close business relationships with their Indian partners. This is contrary to their partners' expectations, as Indian managers anticipate business relationships to be long-lasting and collaborative. However, they suggest that collaboration between foreign and Indian firms is possible without fear of losing intellectual property, as this quote illustrates.

"You are not obliged to share everything with us. There is confidence in the fact that you may produce locally in India by collaborating with a local company, but knowing that there are certain key technologies which you will retain. You say, 'Sorry we don't give this as part of our collaboration.' So you don't have to reveal everything, or share everything, with the local partner." (Indian Manager 5 – Security Industry)

Some New Zealand managers have adopted this strategy, retaining their intellectual property in New Zealand or bundling it within their products and services in ways that make it inaccessible to users. Others have adapted to the uncertainty of intellectual property loss by establishing their own operations in the market, enabling them to have more control.

There are suggestions that India's business culture is becoming more responsive to international concerns about intellectual property theft, with Indian firms tightening their practices accordingly. A New Zealand manager elaborates on this.

"And they're also interfacing a lot more – more and more with Western companies. So for them it's about legitimacy. And to maintain that legitimacy, piracy is not something they're wanting to do. So, for them, building relationships with their suppliers is equally important as us building relationships with our customers."

(New Zealand Manager 1 – Creative ICT[35] Industry)

This is also evident in the improved effectiveness of the enforcement of intellectual property laws in India. As some New Zealand managers have found, when put to the test, the enforcement is often robust and penalties strictly imposed.

2) INFLUENCE OF INDIA'S BUSINESS PROFILE

The business profile of a country often influences its business culture. For example, nations with predominantly small firms approach business differently from those dominated by large multinational corporations. Some countries emphasise particular industries, such as high tech, which, again, influences the way that business is conducted. For India, the main features associated with this aspect of the business culture are:

- Presence of large conglomerates
- Family-oriented businesses
- Technology, service and innovation orientation.

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Presence of large conglomerates

India has a number of large world-class conglomerates, many family owned, that operate in a range of sectors and industries. They rely on networks of foreign suppliers and offer huge opportunities for business if suppliers can meet their expectations. Senior managers of these corporations expect a high degree of professionalism and formality in their business relationships. For example, they expect frequent interactions with their suppliers, and also with government officials and business leaders from the suppliers' countries. The importance of government agencies in facilitating these interactions is noted below.

"NZTE's [New Zealand Trade and Enterprise's] strategy over the past few years seems to have been that they are trying to form linkages with powerful firms in India. So they've done a lot to try and involve companies like Reliance in aspects of New Zealand. They've brought people out here and so forth." *(Christmas Gouwland Basrur Consulting)*

The presence of India's own corporations and the large inflow of multinational corporations from around the world have made India a global marketplace, where competition is strong. As a result, Western business practices are more commonly seen among Indian managers, along with a growing culture of international engagement. Foreign managers need to recognise the influence of the increasingly Western business culture and the importance of an international orientation in the Indian business community, particularly in the main competitive centres.

The following example illustrates how a New Zealand manager, recognising these trends, worked alongside his Indian business partner to develop international opportunities jointly.

"One of the big, diversified global corporations invested in our Indian partner, and this will help to expand our business internationally through their global networks."
(Vista Entertainment Solutions)

Family-oriented businesses

Family plays an important role in Indian society, and also in business. There is a vast number of small and medium-sized firms in India that are family owned and operated, and some of India's largest conglomerates are family businesses. Family has an important place in the business culture, and family priorities often override other demands on a business. For managers working with Indian partners, relationship-building must take the importance of family into account.

Family connections can also be very useful for foreign managers seeking to build networks in the Indian market. A strong relationship with a family member will frequently lead to connections with others who may have related business interests.

When relationships are sufficiently strong, New Zealand managers might invite their Indian partners to New Zealand to visit the companies and spend time together. These visits often trigger long-term family friendships between the business partners, as noted in the following quote from a New Zealand manager.

"They visit regularly. There are three key directors of our Indian partner company, and they are basically family friends now as well. So they've all stayed in my house, travelled around New Zealand, and spent time with us both business wise and socially."
(Vista Entertainment Solutions)

In India, family influences can be instrumental in deciding business outcomes. For example, in the context of overseas education, family members are heavily involved in the destination choices of their sons and daughters. The student recruitment processes of foreign education institutions should, therefore, include an understanding of parents' wishes for their sons' and daughters' education experiences.

The importance of family is also seen in the context of inbound tourism to New Zealand, where it is usual for large Indian family groups to travel together. Tourism operators need to recognise this aspect of the business culture and respond to the needs of these groups. This is highlighted in the following quote from a New Zealand manager from the tourism industry.

"We must understand that we have to meet the needs of the Indian groups, including the large Indian family groups, which might be up to 20 people – all part of the same extended family, when they travel to New Zealand." (Sean Murray – Tourism Industry Consultant)

Technology, innovation and services orientation

India has a global reputation as a leading producer of technology, particularly information technology (IT) based services. The country's capability in IT is evident in the major technology centres located in cities such as Bangalore and Hyderabad, which are of world-class standard. These cities provide considerable opportunities for the establishment of foreign offices and production facilities, and the style of business engagement is more aligned to Western approaches.

India's technology orientation is reflected in its approach to business. For example, Indian managers are generally keen to collaborate with foreign suppliers to improve existing products and services, and co-develop new offerings by incorporating new technologies. Many emphasise the value gained from combining their IT and engineering skills with complementary skills and innovations from foreign partners, noting that both parties can benefit from this kind of partnering.

Accordingly, suppliers must have products, services or technologies that are unique or leading edge, and be open to collaborating with their business partners to develop new offerings. The following quotes from two New Zealand managers illustrate this point.

"So you've got to have some really defined point of difference and a unique proposition – or near as you can get to a unique proposition." (Vista Entertainment Solutions)

"The challenge for us is to keep innovating. To keep being seen as a leader in what we're doing. You know, building new products, releasing new technologies and showing the Indian market that we can bring them the best." (Vista Entertainment Solutions)

The approach to payment for services in India is different from that generally experienced in the West. For instance, Indian clients are often reluctant to pay for after-sales service and maintenance, believing that these should be included in the original product price. Notwithstanding this, after-sales service is something that Indian partners value highly, particularly for high-technology products and services that require specialist attention. The following statement from an Indian manager highlights this point.

"Their [New Zealand company] after-sales service is also very good. After-sales service yes, that is very important. You see, if something goes wrong and if they do not attend to it within the shortest period possible, then it is a problem for us and our customers." (Indian Manager 6 – Aviation Industry)

3) STYLES OF BUSINESS INTERACTION

Many aspects of the Indian business culture give business interactions a distinctive style. These tend to be strongly influenced by the cultural characteristics associated with 'being Indian' and the cultural dimensions outlined earlier. They include:

- Traditional versus Western-oriented approaches
- Hierarchical structures
- Emphasis on relationships
- Partnership approach
- Long-term orientation and attitudes to time
- Negotiation style

Traditional versus Western-oriented approaches

While business fundamentals, such as profit orientation and cost management, are similar around the world, the styles of business interaction in India are markedly different from those in Western countries. For example, as in China, relationships must be developed before serious business can begin, and this generally takes time – more time than foreign managers are accustomed to expending in their dealings with Western markets. Foreign managers in India also need to be resilient to uncertainty and ambiguity, and remain determined to build their business relationships.

The mix of old and new, and 'traditional' and Western, is evident in most aspects of Indian society. According to one Indian manager, the more widely seen features of traditional Indian life must be viewed alongside the substantial achievements of India.

"They've got to first understand and appreciate India. I'm saying, don't do business straight away. Come a couple of times, get the myths out of your head. A lot of people still think there are elephants on the road. A lot of people still think that India is a country of street snake charmers. A lot of people still think that it's a very primitive society because people worship idols. All of that is true. I'm not denying any of that. But I'm saying there's another side to India which a lot of people need to see. India's got the highest IT infrastructure. It's the largest IT outsourcing country in the world. It's the second-largest telecom market in the world, in terms of growth and penetration. It's the manufacturing hub for cars and vehicles, the largest in the world, and there are more English-speaking Indians than there are in the entire United Kingdom. So those numbers and those things also need to be highlighted with the fact that, when you come from the airport and you see this huge bridge that is being made and the expressway and the monorail, you will also see cows on the street. Love it for what it is."

(Indian Manager 3 – ICT)

While traditional values still tend to underpin much of the business world in India, Indian management has become increasingly influenced by Western business approaches, with many managers having received world-class management education in top United States and European business schools. Not surprisingly, these managers are more likely to demonstrate Western-style business practices. Others, on the other hand, adhere to traditional values and practices associated more strongly with Indian than Western culture.

Hierarchical structures

Hierarchy is an important feature of Indian culture, and also has a strong influence in business. For example, it is important for foreign managers to talk to people at the appropriate levels in organisations. Decision-making will only be done by those assigned the status to make decisions – usually the most senior managers. Generally, a business enquiry from a foreign business manager to a lower-level employee will not be passed on to a superior.

"The other obvious point about India is the hierarchy. So unless you know the [chief financial officer] and the head of delivery and head of marketing and head of everything below the chairman, then it is a problem, because things just won't happen. You do need to know those people because they will be able to cut through. There's [sic] layers and layers and layers in any organisation, especially the larger ones." *(Kensington Swan)*

Emphasis on relationships

Business relationships in India involve considerable hospitality, much of it revolving around the sharing of meals. In contrast to China, where a dinner event may involve up to 20 people, a dinner in India is generally hosted by only one or two of the senior managers from the client company. In such settings, conversations about family will often dominate, and it is important for foreign managers to share photos and basic information about their own families.

Connections and relationships take time to establish in India, and New Zealand managers stress the importance of patience when building relationships. Indian managers expect to be shown respect and humility. They prefer to welcome foreign managers as part of their teams, and to discuss problems collectively, rather than being directed or told what to do. The asserting of power and authority is not appreciated, as the following quote from a New Zealand manager suggests.

"You have to be quite tolerant. You can't assume that you're right or that your opinion is better. You really do have to be an advisor on the side, not the instructor or dictator as to how things should happen. Culturally, they won't go down that path. You'll get lots of nods, but you don't know whether that's a yes or a no. You need to be really part of the team and you'll get a lot more out of it using that approach. I think the key to India, then, is not to go there and say you're the expert and here's the answer, because they don't particularly want to hear that – just as we wouldn't." *(Kensington Swan)*

As in any successful business relationship, mutual trust and rapport between partners are necessary, ideally developed before business is conducted. These can best be achieved by regular face-to-face contact, which Indian managers value much more highly than electronic, virtual communications. As the following quotes illustrate, this applies as much to Indian businesses in India as it does to foreign companies.

"Relationships are also very important. But I have seen a lot of people; they just send the emails and don't get out of the office to come here. That doesn't work in India."
(Indian Manager 7 – Business Consultancy)

"I mean, the thing about not being in the market is that you don't get the opportunity to meet face to face with the people in those companies very often."
(Indian Manager 8 – Advanced Manufacturing)

Partnership approach

The concept of partnership runs deeply through the business culture in India. When a business agreement is reached in India, there is an expectation that it will be a lasting arrangement. Indian managers anticipate that the parties involved will work on the basis of an informal or formal partnership, often decided on the value of the product or service involved and the support needed for the business. For example, an Indian partner can provide essential after-sales service and support in the market if there is a strong and trusting relationship. A number of New Zealand firms benefit from this kind of arrangement, where their Indian partners provide not only local support but also opportunities for product and service developments in the market.

Understanding the culture of partnership can also provide other benefits for foreign companies. For example, a partnership arrangement can help a small supplier company to manage challenges associated with scale. For most New Zealand companies, the volume requirements for products and services in India are likely to be well beyond their capacity to supply. Some New Zealand firms have Indian partners able to help produce the volumes needed for the market. In the example outlined below, the partnership has also provided opportunities for both partners to leverage business from the Indian base into the global marketplace.

"If they [New Zealand firms] use the skill base here, then they could scale up by having a partnership with an Indian company. And that's not just in the Indian market. It's for the world market. We've got to use the Indian market; use India as a stepping stone for the rest of the world. What we've done is a good example. Along with our New Zealand partner, we've now penetrated into the Middle East." (Indian Manager 3 – ICT)

Finding the 'right' partner can be very difficult for a foreign manager new to the Indian market, and unused to the business culture. A number of sources can advise on the selection of partners in India. In the case of New Zealand firms, these include New Zealand Trade and Enterprise, other New Zealanders in India and in New Zealand, and New Zealand-based colleagues of Indian descent. The quote below from an Indian manager based in New Zealand illustrates the importance of seeking this kind of advice.

"I've seen some people who have gone in and made the wrong partnership decisions. My suggestion is to get a plane ticket and go into India. Spend a little time getting to meet a few people, preferably with somebody who's a conduit. You know they use them as a facilitator." (Christmas Gouwland Basrur Consulting)

Long-term orientation and attitudes to time

In a bureaucratic business environment like India, business dealings take a long time. According to New Zealand managers, they require tenacity, patience and perseverance, as well as resilience to uncertainty and ambiguity. Planning must take into account the likelihood of delays and u-turns on decisions. Foreign managers must have realistic expectations about the time needed to develop business in India, as illustrated in the following quotes from New Zealand managers.

"The first mistake companies make is to jump on a plane, turn up in India and then go, well, what do you do now? – go and try to sell something?" (NZIFS)

"So we possibly underestimated the length of time that it takes to get from first contact to even remotely being close to closing the deal." (NZIFS)

Because relationships take a long time to establish in India, it is critical for foreign managers to start establishing links and getting prepared for business in India as early as possible – an approach encouraged by Indian managers. This can confer a substantial advantage over competitors who are not well prepared for their entry into the market, and give a first-mover advantage. A number of New Zealand firms have benefited in this way, as illustrated below.

"I guess we do have that first-mover advantage in that we already have established some of those links into the Indian market." (NZIFS)

Most Indian managers agree that if a supplier firm maintains a presence in the market, and shows commitment and perseverance during the initial three – or four-year period when profits are unlikely to be realised, its business will likely prosper in the long run. The following quote is the view of an Indian manager on this point.

"They have to show patience, they have to show commitment to the Indian market, and not expect quick returns. I think they should at least keep a small presence – even if they don't have business, at least keep someone here and not withdraw completely. It takes maybe three to four years before they make a profit. But, we are seeing people who have stuck it out, and now they're quite happy." (Indian Manager 7 – Business Consultancy)

Negotiation style

Like relationship-building, negotiations in India are renowned for the length of time that they can take. Negotiations are a key element of the Indian business culture. Delays are particularly noticeable when it comes to negotiating price. Negotiations on price tend to arise at any time during the period from acceptance to completion of an order, with the finished job tending to be the gauge as to the final price paid for the product or service.

Indian managers expect their suppliers to work through the negotiation process and exercise patience. Sometimes negotiations will revolve around the need for an adaptation to be made to the product or service being offered, and this may need to be discussed at length. Supplier firms will often reject such requests based on the perceived costs involved, but fail to appreciate the benefits that might arise from the associated increased volumes. Below, an Indian manager describes his experience with a New Zealand firm whose manager was unwilling to consider adapting the product for the Indian market.

"It would have been possible for that company to easily remove that value-added component and provide the basic product that we wanted. The adaptation would have happened if we all started talking, then probably the New Zealand company would have seen their opportunity because of their own knowledge of how they have developed the product. But, they walked away and it went into cold storage because of this. But we are now talking to some companies in Europe on similar lines." (Indian Manager 9 – Construction)

Foreign firms often experience problems in being paid, particularly by private sector customers. As payment terms and conditions are often renegotiated at the end of a project, substantial costs may have already been incurred by the supplier firm. New Zealand managers tell of projects being halted before completion and only partial payment being settled – well short of the costs incurred. In general, there tends to be more assurance of payment from government clients, even though it might be slow.

Business in India generally operates on the assumption that long-term business opportunities are more important than immediate price issues. Some New Zealand managers agree, noting that demonstrating commitment to the market and the customer is more likely to lead to successful and profitable business in the longer term. The following illustration is offered by a New Zealand manager.

"I met someone [New Zealand manager] at a meeting about business in India, and you know, he told me that he walked away. He had a customer and he walked away, because he couldn't negotiate the right price with him. You should never ever walk away if you're actually serious about the market. You should win the business and do the business and then build on that business. You may not get the right price on the first time, but just forget about it. Our first deal was at a horrendous price. But our client was a market leader in the segment that we were after, and they bought our products and people noticed." *(Vista Entertainment Solutions)*

In some industries, such as engineering, project management and large-scale manufacturing, orders are gained by a competitive tender process. This may be run by a government-owned entity, an aid agency or a private business. Because connections play an important role in Indian business culture, the Indian client company will often seek advice from an independent consultant in the selection process for the tender – with the consultant having considerable influence on the final decision. For New Zealand firms competing in tender processes, identifying and building relationships with third party influencers, like consultants, and becoming known quality suppliers in the industry, can be very beneficial, as the following quote indicates.

"So how they pick the product and supplier – first, you go to the consultant and tell them, I am available here in India and these are my customers, they're all happy, please include my product in your list." *(Indian Manager 10 – Security Industry)*

Finding the right person in the client company who can make purchase decisions is critical, but it is often difficult for a foreign manager to navigate through the hierarchy to find the decision-maker. People at lower levels in the client organisation are unlikely to refer business enquiries from a foreign company to their superiors, so a local partner can be of considerable value in facilitating this. Similarly, networking with Indian business people in local business association meetings can be helpful in identifying key decision-makers in a company.

4) BUSINESS PRACTICE AND EXPECTATIONS

The ways in which business is practised and the expectations that Indian managers have of their foreign suppliers reflect the underlying local business culture. The main aspects of importance are:

- Use of middlemen/intermediaries
- Large-scale production
- Price sensitivity
- Expectation of commitment from business partner
- Expectation of a presence in the market
- Expectation that the partner is culturally aware
- Need for adaptation of products and services.

Use of middlemen/intermediaries

It is common for local intermediaries, such as agents and distributors, to represent foreign firms in the Indian market, and they generally add considerable value. For example, an intermediary can help a foreign manager to understand and adapt to the business culture, and can perhaps take on some of the responsibilities in the local market. These include making connections with key people, providing knowledge of the industry and potential customers, and ensuring that the firm is well represented. This is explained in the quotes from two New Zealand managers below.

"The local person knows the people, knows the landlords, knows the local environment, knows how to drive the business and they know the industry. Then they pull it all together." (Pumpkin Patch)

"The market's fast and just getting market intelligence on what's going on is quite tricky. And that's certainly one of the advantages of having a local business partner." (Vista Entertainment Solutions)

New Zealand managers highlight the importance of ensuring that the 'right person' is appointed to be the local intermediary. This person must have the right connections, the right personality and the right attitude, as well as demonstrable loyalty. A local partner or intermediary with these attributes can help to provide credibility, and clients generally feel more confident in their business relationships if there is a reliable local presence.

Large-scale production

Indian managers expect to be assured of uninterrupted supply from their suppliers, as many businesses in India contribute to critical parts of their industry supply chains. There is a considerable loss of credibility and reputation if they are unable to fulfil delivery promises to their customers. Suppliers to these businesses must not only meet the volume requirements, but do so consistently, and also accommodate changes as needed. These requirements may be well beyond the capability of small New Zealand firms to manage, as they lack capacity and often lack funding for expansion. This is illustrated in the following quote from a New Zealand manager.

"New Zealand has much smaller businesses… they are efficient but they are not structurally sound for scalability. We could easily morph ourselves into a much more stable organisation here, but it would require a lot more capital." (Cereus Holdings Limited)

Volume requirements may be low at the start of a business arrangement, and within the reach of a New Zealand firm. But Indian clients will often look for suppliers that have products or services that are easily scalable. The only option for a New Zealand firm in this situation may be to work with an Indian partner to help provide the volumes needed for the market.

In some situations, an Indian partner will be willing to invest to assist its supplier to scale up its home-based operation to meet these demands, or may help to locate subcontractors for production in India. In the case illustrated in the quote below, the Indian joint venture partner of a New Zealand firm was able to help provide the volume for clients in India.

"We set up a joint venture with a New Zealand company because we wanted to be with them in the future. They've got a great product and they keep at the leading edge, and we can help provide the volume to the clients."

(Indian Manager 3 – ICT)

Price sensitivity

India is known to be a fiercely competitive marketplace. International companies from around the world are conducting business there, and local Indian companies are rapidly joining the higher-quality producers. As a result, the market has become very price sensitive, presenting challenges for firms unable to offer a competitive advantage. The business culture in India is characterised by customer expectations of buying products and services at the lowest prices available, although there is an increasing recognition of the importance of added value. For example, if a product or service is in a high-value specialised niche, with little competition (such as a sophisticated software market), price reduction in India is not so important.

On balance though, adapting pricing to the Indian market is expected, and often the price points are significantly lower than those for similar products and services in other markets. In the following quotes, a New Zealand manager and Indian manager explain this situation.

"I just think pricing's really tough in India, and what doesn't work is expecting that you might get the same price for your product in India that you will get in other countries, because you won't." (Vista Entertainment Solutions)

"So, yes, we've had a fairly long association with a New Zealand company. As the market's evolved, there's been a fair number of challenges in terms of pricing – India is a very price-sensitive market, and there is clear price benchmarking in our industry."

(Indian Manager 12 – Security Industry)

Foreign suppliers are expected to find ways to make their products and services price competitive. If they use local inputs, such as local manufacturing or local sourcing, for example, they may be able to compete more effectively on price. Also, adapting the design of a product, in order to reduce costs and remain price competitiveness, is a successful strategy used by some New Zealand firms in India.

Expectations of commitment from business partner

Sustained business in India requires a long-term commitment of resources and time, and Indian customers like to see this demonstrated. Because the market is so competitive, it is critical for foreign company managers to maintain effort on a daily basis, and not reduce or divert commitment, particularly at crucial times for customers.

According to the experiences of New Zealand managers, commitment needs to come from the senior management and board of the firm. They must be committed to developing the Indian market and provide the necessary resources and senior-level support. A New Zealand manager stresses this point in the following quote.

"We have a very strong view on what will make New Zealand companies successful in India and that is commitment of the CEO. It is a commitment to physically put people on the ground to work with agents and clients to sell the product. And there is a financial commitment required as well – you just can't do it on the smell of an oily rag. You just can't send somebody on an aeroplane to India and think it's going to happen." *(New Zealand Manager – ICT Consultancy)*

Indian managers expect to see evidence of serious business engagement in the market by their supplier firms. This includes building relationships with all relevant stakeholders, not just the Indian partner.

"India has its own peculiarities. So it's important that the New Zealand companies get engaged with government, with industry, with each stakeholder in India. And then that engagement must be decisive." *(Indian Manager 12 – Aviation Industry)*

Expectation of a presence in the market

Indian managers like to deal with their suppliers and business partners face-to-face, which means 'being close to the customer'. Regular visits to the market by foreign suppliers are, therefore, extremely important for reinforcing business relationships, and a permanent presence is preferable. In order to stand out from the competition, firms and managers must maintain visibility in the market by being physically present and holding regular face-to-face meetings. A New Zealand manager emphasises this point.

"Consistency of communication and visits and relationship maintenance are very, very important to keep people's attention. No matter what the goodwill is, there are plenty of other people banging on their door every day of the week… Maintaining trusting, credible relationships with people is absolutely critical." *(Auckland University of Technology)*

Having a presence in India not only improves a firm's visibility in the market, but also helps to engage the firm in the local communication processes and networks, which are critical aspects of the Indian business culture. In some cases, having a local company, a local office or a dedicated representative in the market can give a firm a competitive advantage, as it guarantees a local presence.

Many services, such as training, require face-to-face delivery in order to ensure appropriate quality, and provide ready access to relevant expertise. This usually requires employees to be based in the market. Simply leaving the contact and communication with customers in the hands of agents is not something that many New Zealand managers recommend. Rather, having a permanent or regular presence in the market signals that the supplier firm is committed to the business relationship.

Indian managers observe that many large international competitors have a strong presence in the Indian market and assign considerable resources to staying in touch with their customers through face-to-face contact. Their continual presence means that they become the top-of-mind supplier in the industry, as an Indian manager outlines.

"Companies like in XXXX [from Europe] have people just come and keep pushing the product. I have people from XXXX coming down and just sitting with me for an hour doing nothing, just having a cup of tea and understanding what's happening. They don't need to market themselves any more, you know, because every tender that comes out or every client that wants [the product] uses XXXX." (Indian Manager 10 – Security Industry)

One of the consequences of not having a market presence is the inability for the supplier company to grow the market. Indian clients will be reluctant to invest effort in suppliers that are not committed to being in the market. Increasingly, foreign suppliers are manufacturing in India through their own or dedicated facilities, or via outsourcing, in order to be closer to their customers.

Expectations that the partner is culturally aware

Being culturally aware is one of the most important attributes necessary for foreign managers undertaking business in India. Indian managers note the naivety and lack of cultural understanding among New Zealand business people, and believe that this creates a disadvantage for them in the marketplace. New Zealand managers who are successful in India highlight the importance of being open-minded and accepting of Indian people and their culture. Cultural awareness also helps foreign managers to understand some of the business behaviours in India that are different from their own, and allows them to make necessary adjustments to their business practices. Drawing on the knowledge of local people, or of people of Indian descent in New Zealand, can help New Zealand managers to understand cultural differences.

Although English is the business language in India, the different cultural characteristics, languages and dialects associated with different states can be problematic in terms of communication – even for some Indian nationals resident in India, as the following quote illustrates.

"I still say that the biggest barrier for me now is still a language thing, believe it or not. When I have to communicate specific detailed instructions to the people who are working for me, or even in communicating with customers, it's often difficult. Even though we're all speaking English, it's a different kind of English. It's definitely a language barrier."
(Indian Manager 13 – Architecture Industry)

Need for adaptation of products and services

Factors that make the Indian business environment different from that in Western countries include customer characteristics, consumer preferences, channels, government requirements and market and environmental conditions. In general, the Indian business culture demands that foreign firms adapt to these and other factors.

However, some New Zealand managers appear not to appreciate the need to make adjustments, as the following quote from a New Zealand manager experienced in India highlights.

"One of the issues that I have seen is that New Zealand business people tend to expect that Indians will do business our way. That our disciplines, our culture is right – but frankly, the Indian people don't see it that way. They see you as doing business in their country and so you have to switch your mindset around. You know if we're going to do business in India we are, within reason, going to have to do it their way, not our way."
(New Zealand Manager – ICT Consultancy)

Even basic aspects of the business culture, like behaviour in business meetings, may require adaptation by a New Zealand firm, as noted by a New Zealand manager working in India.

"Well I think the biggest adaption you have to make is in meetings, it's a very foreign environment. Everybody's got about two phones ringing at the same time. There are people walking in and out of the office all the time. Messengers bringing papers on the desk which are signed and then sent off again in the middle of the meeting. You might have other groups sitting in the background waiting for you to go, so it's a very different experience." (SMX)

Overall, foreign managers need to be flexible when it comes to making adaptations, being open to changes where necessary. The need to adapt must be recognised and accepted before a firm enters the Indian market, and this requires knowledge and understanding of the market at an early stage. A New Zealand manager illustrates how this has worked to his firm's advantage.

"It's good to be able to say, okay, we've come into India, but we are not telling you what to do. We are actually listening to our customer and giving you what you want. We have to adapt. We knew that we had to change before we went into the Indian market. We were willing to change and we can see the success that's coming out of that." (SMX)

CONCLUDING REMARKS AND RECOMMENDATIONS

The business culture in India reflects the features of its regulatory environment, businesses and 'national' culture. Undertaking business in India requires New Zealand managers to be aware of the business culture and the ways in which it differs from their own. They also need to adapt their business practices accordingly. This paper has presented the key components of India's business culture and outlined some of the experiences of New Zealand managers working in this culture. Perspectives of Indian managers have also been offered.

A number of recommendations relevant to New Zealand firms and managers arise from this discussion of Indian business culture. The main recommendations are:

- New Zealand firms must invest time and effort in understanding India's business culture. This can be assisted by building awareness of India's regulatory environment and its national cultural characteristics – which collectively underpin the culture associated with business.
- Managers must understand how the business culture in India is expressed, particularly in the ways that business is practised and the expectations of Indian managers. These include aspects relating to time, scale, relationships, negotiations, proximity to the customer and other factors identified in this paper.
- New Zealand managers must be flexible and adapt to India's business culture in ways applicable to the business relationships. For example, being willing to make changes to products and services, pricing, and approaches to business are some of the essentials for successful business engagement in India.
- The diversity of India must be recognised and New Zealand managers must expect to encounter variations in the business culture across different regions in India and different segments of Indian business.
- Managers and policy-makers should work more extensively with the Indian diaspora in New Zealand, particularly its members involved in the business community. This community provides considerable potential for business managers to improve their understanding of the Indian business culture and prepare for successful business engagement in the market.

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Outlook editor: Dr Andrew Butcher

ISSN 1177-7893 (Online-PDF)

PUBLISHED BY THE ASIA NEW ZEALAND FOUNDATION

MAY 2012

20/2012

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