

## THE BUMPY ROAD TO INDIA

# MARKET ENTRY CHALLENGES FOR SWISS COMPANIES - LESSONS LEARNED -

## Executive Summary

### *India Competence Center, University of St.Gallen*

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#### Study background and approach

Study based on **critical incident methodology**, analyzing 13 **crucial situations** along the **four phases** of a **market entry process**: Market evaluation, entry planning, entry implementation, local operations (see Illustration)

*„Europeans tend to be more **careful** in their **expression** than **Indians** – the latter may take advantage of this ...”*

*(study participant)*

For some years now India has been portrayed as a highly promising investment destination for Western companies. Industry chambers such as the Swiss Indian Chamber of Commerce (SICC) emphasize that Swiss companies should not wait longer to enter India to capture their share in a country which has become the world's third largest economy in 2011. However, words of caution are also becoming louder. In a special report on business in India the Economist (October 2011) concludes that “Indian business culture, while beguiling, is less accessible than it first seems”. In close cooperation with 45 practitioners the India Competence Center at the University of St. Gallen (HSG), commissioned by the SME Platform of the Swiss-Indian Chamber of Commerce (SICC), analyzed which critical incidents along the market entry process are perceived as a) most important for the overall market entry success and b) most complex to address by Swiss and Indian executives of small- and medium-sized enterprises (SME). Recommendations are provided.

#### Take-Aways

- The root causes of many market entry challenges for Swiss SMEs are related to “soft factors”: Swiss experience clashes with Indian reality
- SME executives rate market evaluation phase as most critical for overall entry success, challenges in the implementation phase as most complex to address
- Specifically, executives perceive the following challenges **as most important** for overall market entry success:

„Show **commitment** and **visit the country regularly** to get a **flavor** and to **build your local network.**“

(study participant)

„As a **Swiss** company we brought the **technical** and **commercial know-how** to the table. **Indians** display a **high customer focus** and are extremely **good at handling the unexpected** – **this combination works quite nicely.**“

(study participant)

- Correct evaluation of market potential & adaptation of product portfolio for Indian market (market evaluation)
  - Rigorous financial planning (market entry planning)
  - Developing a strong and trustworthy leadership team in India (market entry implementation)
  - Quality management (local operations)
- Executives perceive the following challenges **as most complex** to address:
    - Right adaptation of own product portfolio for Indian market
    - Taking the right entry mode decision (independently vs. with Indian JV partner)
    - Finding a business process design which works (Swiss vs. Indian way of doing business)
    - IP/ Technology protection (ongoing operations)
  - Swiss/ EU SME executives rate the complexity of market entry solutions significantly higher than Indian peers – tendency particularly distinct for “people management related challenges”
  - Analysis suggests that the most **complex challenges** along the market entry process to India **can be efficiently addressed** by the following guidelines:
    - Patience: Allocate sufficient time to “know your market”
    - Invest in personal, ‘overlapping’ networks
    - Calibrate the Swiss vs. Indian way of doing business/ combine strengths of both management cultures
    - Align IP/ Technology protection measures with overall business strategy/ value chain



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| <ol style="list-style-type: none"> <li>1. <b>CEO expectations</b></li> <li>2. <b>Evaluating market potential</b></li> <li>3. <b>Adapting product for Indian market</b></li> </ol> | <ol style="list-style-type: none"> <li>1. <b>Choosing the right location</b></li> <li>2. <b>Financial planning</b></li> <li>3. <b>Entry mode choice</b></li> </ol> | <ol style="list-style-type: none"> <li>1. <b>Business Process design</b></li> <li>2. <b>Managing Indian partner(s)</b></li> <li>3. <b>Developing a leadership team in India</b></li> <li>4. <b>Land acquisition</b></li> </ol> | <ol style="list-style-type: none"> <li>1. <b>Managing the workforce</b></li> <li>2. <b>Technology protection</b></li> <li>3. <b>Quality management</b></li> </ol> |
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**“Identifying potential customers and adapting one’s product portfolio for the Indian market is a key challenge.”**

(study participant)

**“Having the right partner you can trust is key for success in India.”**

(study participant)

**“It’s good to develop a strong local management team from the start. But make sure you do not depend too much on them – maintain swissness.”**

(study participant)

**“Key will be speed, smartness and precise contracts to prevent partners from going on their own taking advantage of leaked IP.”**

(study participant)

## When entering India, executives should ...

### Market evaluation phase:

- Think long-term and show persistence
- Show strong personal interest and spend time ‘on the ground’ in India: “Relationships x Trust = Market Insights”
- When facing the “Price – Margin – Quality” trade-off: Don’t give in to short-term thinking

### Market entry planning phase:

- Finding YOUR location: Perform a rigorous, fact-based and individualized location analysis
- In the face of uncertainty: Apply (financial) contingency planning from the outset
- Entry mode choice: Invest time and resources in finding the right partner – make sure he/ she depends on you as much as you do on him/ her (personal, ‘overlapping’ network)

### Market entry implementation:

- Business process design: Combine strengths of Swiss (quality mindset, process management) and Indian (customer focus, jugaad) management styles
- Make sure agreements always address the exit situation (of the partnership) and the applied dispute resolution mechanisms
- Developing an Indian leadership team: Include, empower, control
- Ethics – Time – Corruption triangle: Do not compromise on corporate policy

### Local operations phase:

- Managing the workforce: Invest in people but secure your interest with long-term incentive systems
- Adapt technology strategy to market requirements and production location decision (Switzerland vs. India)
- Aim to offer “Swiss quality – delivered the Indian way” applying Jugaad where necessary

The detailed study presentation (**available for free for SICC members upon request: [dorit.sallis@sicc.ch](mailto:dorit.sallis@sicc.ch)**) describes the study results of all entry challenges and related recommendations in detail.

## Contact Details

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### About the India Competence Center (University of St.Gallen)

The India Competence Center at the University of St. Gallen is a leading academic platform focusing on industry-academia collaborations in the Indian-Swiss context. It provides a platform for businesses, academia, NGOs and government organisations from India and Switzerland to work on joint projects. The India Competence Center has established partnerships with leading Indian business schools to support companies and other organisations in close alignment with local associations and government institutions in developing cooperative networks. Its activities include education, research, training and coaching.

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### About the Swiss-Indian Chamber of Commerce (SICC)

SICC is a bi-national, private sector association with 320 Swiss and Indian members. The Chamber is devoted to growing business between individuals and companies in India and Switzerland. Founded in 1985, SICC is widely recognized as the key player in advancing bilateral Swiss-Indian political and economic relations. As an independent organization, the chamber co-operates with all public and private institutions that pursue similar goals.

SICC aims to

- enhance the flow of information on investment- and trade-related issues between India and Switzerland;
- improve bilateral commercial, industrial and technical co-operation between India and Switzerland;
- support the establishment of joint ventures and strategic alliances between enterprises of both countries.

SICC members include representatives of large, midsize and small companies, associations, organizations and individuals in India and Switzerland. SICC has offices in Zurich, Bangalore, Delhi and Mumbai.