

# CEOs of India Inc: Doing business the subcontinental way

India's rapid growth accelerated with the economic liberalisation of the 1990s. Prior to that time, the country had been hindered by business practices that reflected India's years as a socialist state. In April, executives from top companies in India discussed the ins and outs of doing business in India at a seminar in the CEO Talks series organised by the Wee Kim Wee Centre, Singapore Management University, and the Confederation of Indian Industries (CII). The CEOs were on a visit to Singapore as part of the Incredible India@60 celebrations organised by CII and the Indian government to commemorate 60 years of India's independence. Aimed at raising awareness about India and fostering business and cultural ties with other countries, Incredible India@60 events have also been held in New York and Davos.

Representing a broad spectrum of industries, the CEOs shared their experiences with growing companies amid the challenges and opportunities that India provides. Their respective stories are summarised in this article. The participants were: Sanjay Nayar, CEO of Citigroup-India and area head for south Asia; Atul Singh, chief executive of Coca-Cola, India; Rajan R Navani, director of Jetline group of companies; A P Mull, executive director of Tata Consulting Engineers; Gopal Srinivasan, director of TVS electronics; and Tarun Das, chief mentor of CII.

## Banking in India: Citibank

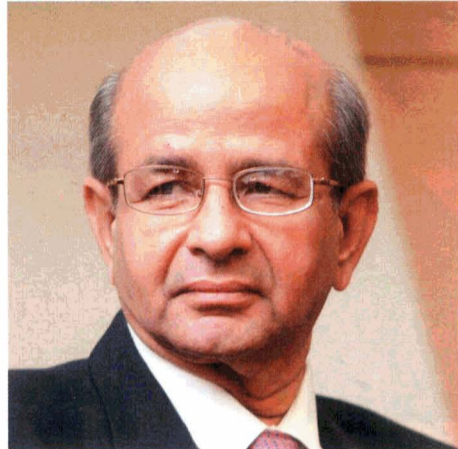
India's economic growth for 2008 is projected at 8%. This fast growth combined with its one billion population, many of whom are well-trained in IT, make India a natural magnet for investment. According to Citigroup's Nayar, "the real transition has been in the past four or five years". He says the bank has found India to be conducive for doing business. Citigroup is in investment banking, corporate banking and other business segments with operations in other national centres, including the US. Citigroup in India has grown to 16,000 employees, making it the bank's third largest country centre after the US and Mexico.

According to Nayar, although there are limitations in India, MNCs have found ways to work around regulatory constraints. "Markets and regulators impose restrictions, but companies that innovate their way out of those restrictions usually meet with a lot of success," he says. For example, India does not regulate non-bank finance companies as closely as commercial banks. This has allowed Citibank to enter this market and enjoy a higher risk/reward ratio from this lightly regulated market. In fact, Citibank even owns some pawnshops.

Describing other opportunities and challenges of doing business in India, Nayar says "the price consciousness of consumers is very high". From a human resource perspective, he faces another constraint: "Even in a huge market like India, it is not easy to find the right people in the right space for the right job. This has presented us a huge challenge, as it does for all managers in India." He adds, "There are also cost challenges with the price of office space in Bombay as high as in Manhattan. Also, the infrastructure is not quite as good."

## Beverage market: Coca-Cola

According to Coca-Cola India's Singh, the company had been in India since the 1940s and 1950s, but left in 1977 because of a rule requiring them to divest 60% of their equity. With



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TVS Electronics' Srinivasan: A key challenge has been to hire and retain the best and brightest talents

the liberalisation of the economy, Coca-Cola re-entered India in 1993. They acquired four local beverage brands, which have met with great success. Coca-Cola now has a 60% share of the sparkling beverage market and about one-third of the total Indian beverage market. Singh adds that the company has seen phenomenal business growth in China, where their sales have recently tripled. That is their goal for India, too, he says. Coca-Cola has enjoyed seven straight quarters of growth and the last few quarters have seen double-digit growth.

Coca-Cola sees itself as both an MNC and a local company. For instance, it defines itself as a local company by sourcing 95% of the ingredients for its products from India, and it has 70 manufacturing locations across the country. It services 1.3 million retailers across India and would like to increase that to five million, he says.

Of India's total population of one billion people, half are under 35 years of age, a statistic that is important for Coca-Cola. "Ten per cent of the world is an Indian under 25 years of age," says Singh. The company employs 10,000 people across the country and believes the job multiplier for them is 10 to 15 times. This means that for every person Coca Cola employs, it generates another 10 to 15 jobs throughout India.

Coca-Cola is the largest buyer of sugar in the country. "When you look at our inputs, it goes back to farms," says Singh. "We are looking at vertical integration of the supply chain from the farm to the table."

He says infrastructure presents a major challenge in doing business in India. New Delhi airport, for instance, periodically descends into chaos. However, the good news is that it is getting fixed, he says.

## Family business: Jetline

Jetline is a family owned business, started in



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Jetline's Navani: Positive changes have been seen with more young people entering the company

Thailand in the 1930s, that has been handed down three generations. According to Navani, one of the third-generation directors, his company, whose core business is packaging, has recently gone into multimedia and hi-fi electronics. He says positive changes have been seen with more young people entering the company — the organisational structure has changed from one of "command and control" to one that is more professionally managed. His company is also committed to improving education. "We have been able to create a platform [to channel the strengths of] the youth." One way to do it, he says, is through exchange programmes. "Young people perform significantly better when they are in other countries," he observes.

## Engineering: Tata Consulting Engineers

Tata Consulting's Mull has been with the company for 33 years. "Since Tata Consulting started in power, we have a number of firsts to our credit in the power sector in India. In fact, Tata Consulting has been involved in some way [or other] in almost 85% of the power plants constructed in India. [As such,] there is the risk we will become complacent. We have to keep abreast with what technology is providing us." Speaking on the importance of networking in the country, he says, "We are in alliances with so many other companies and we share knowledge. That is what really needs to be done — to share knowledge within India."

## Automotive components: TVS Electronics

TVS Electronics' Srinivasan represents a 95-year-old family business in its fourth generation of management. It is best known for its success in automotive components with 60% of its business coming from the sector. The company, which expects to reap US\$4 billion (\$5.4 billion) in sales this year, has resisted the urge to diversify and become a conglomerate.



CII's Das: India has many problems that are being faced in the world but it is finding ways to solve them

"Our success [can be attributed to] specialising in doing a few things well," says Srinivasan. He has started nine new businesses during his 22 years with the company and is now launching his tenth.

A key challenge has been to hire and retain the best and brightest talents in India. Srinivasan says there is substantial competition from other employers such as global banks and other MNCs to hire the best graduates and young talent. Another challenge has been to move the company forward progressively while still preserving important traditions. The company is financially conservative but has still managed to expand into other countries including China, Malaysia, Indonesia, Myanmar, the UK and Germany. "Globalisation used to refer only to MNCs coming to India," says Srinivasan. "Now, it also means Indian companies establishing themselves abroad."

The boom times were in 2000. "The stock market increased 70%. At that time, Indian investors thought they were very clever, not realising that anyone who threw a dart at the stock page would make a 70% [gain]," says Srinivasan. To advance more quickly, he points out that India has to learn more about scaling. For example, the country now needs an additional one million doctors. How can it meet that demand quickly?

One great hope, he believes, is from new entrepreneurs, many of whom come from the rural areas of India. They are highly motivated and have high risk appetites. This includes business as well as social entrepreneurs who are business people wanting to improve society. He mentions as examples Indians who have made advances in cataract implants and prosthetics. According to Srinivasan, although India has been free and independent for 60 years, there are still plenty of noble causes for young people to fight for. These young entrepreneurs, he says, are "the new freedom fighters of India".

Meanwhile, CII's Das says India has many problems that are being faced in the world but it is finding ways to solve them. He believes the country has entered a new phase of growth. From 1947 to 2001, GDP has grown at a rate of about 3% per year. Since 2001, its growth has averaged 9%. In 2008, it will be slightly lower at 7.5% to 8%. Das says there has been a substantial change in the economy and India will continue to traverse the path of rapid growth in the years to come.

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