



MARKET ENTRY CHALLENGES FOR SWISS SMEs IN INDIA: LESSONS LEARNED

Public Summary

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Study Background and Approach

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 the market evaluation phase as most critical for the overall entry success. However, they rate the challenges during the implementation phase as most complex to address.
- ✓ Specifically, executives perceive the following challenges **as most important** for overall market entry success:
 - Correct evaluation of market potential & adaptation of product portfolio for Indian market (market evaluation phase).

Study based on critical incident methodology, analyzing 13 crucial situations along four market entry process phases: market evaluation, entry planning, entry implementation, local operations (see illustration).

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

“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.“
Business Development Manager



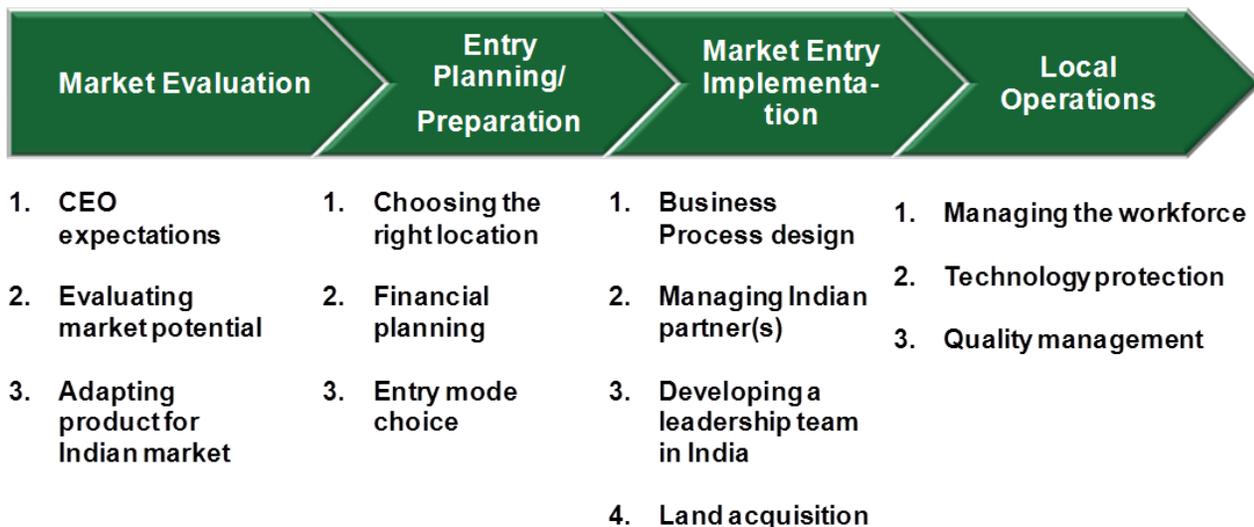
- Rigorous financial planning (market entry planning phase).
- Developing a strong and trustworthy leadership team in India (market entry implementation phase).
- Quality management (local operations phase).
- Executives perceive the following challenges **as most complex** to address:
 - Right adaptation 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 as part of ongoing operations.
- Swiss/ EU SME executives rate the complexity of market entry solutions significantly higher than Indian peers – this tendency is 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

„Europeans tend to be more careful in their expressions than Indians – the latter may take advantage of this ...”
Senior Vice President

“Identifying potential customers and adapting one’s product portfolio for the Indian market is a key challenge.”
Chief Executive Officer

“Having the right partner you can trust is key to success in India.”
Marketing Manager

Figure 1 : Market Entry Phases and Critical Incidents





When entering India, executives of SMEs should ...

Market evaluation phase:

- Think long-term and show persistence in your market entry plans.
- Show strong personal interest and spend time 'on the ground' in India: "Relationships x Trust = Market Insights" – most manager underestimate the value but also the resources that such a network management requires.
- When facing the "Price – Margin – Quality" trade-off: Don't give in to short-term thinking. It simply takes time to convince Indian customers about the good value-for-money offering of Swiss quality products and services.

Market entry planning phase:

- Finding YOUR location: Perform a rigorous, fact-based and individualized location analysis and do not simply follow other companies from Switzerland.
- In the face of uncertainty: Apply (financial) contingency planning from the outset and plan for sufficient buffer.
- 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 (i.e. create personal, 'overlapping' networks in your industry).

Market entry implementation:

- Business process design: Combine the strengths of Swiss (quality mindset, process management) and Indian (customer focus, jugaad) management styles. However, be aware that you need to decide which management processes and operations are done the Swiss or the Indian way.
- Make sure agreements always address the exit situation (of the partnership) as well and agree on the applied dispute resolution mechanisms if problems occur.
- 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.

"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."

Business Development Manager

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

Operations Manager

"A passion for Asian markets like India is key to success. If the top management does not 100% believe in the market(s) the middle management will not put enough efforts into mastering the numerous challenges that lie ahead."

Company Owner

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