



How to overcome cultural barriers in shining India

India is brimming with opportunity – but you need to know how it works.

Nikhil Raval is your guide

India spelled opportunity for Western companies when their own markets were shrinking. Business has shifted eastwards since 2000 and the trend has accelerated after the global financial crisis of 2008. India is one of the oldest civilizations in the world and is a complex mixture of new and old, a confection of West and East. With a strong and stable democratic political system, a young nation where more than 50% of the population of one billion is under 35, a pervasive entrepreneurial spirit and high domestic demand, the country has much to offer. Indians are known to be self-reliant, and have great capitalist spirit. Many of the

world's top billionaires such as Mukesh Ambani, Lakshmi Mittal and NR Narayana Murthy have created best-in-class companies. That being said, like any country, India has specific cultural issues which incoming businesses need to consider. Let's consider some of these.

Liberalization, privatization and globalization

After gaining independence from British rule in 1947, India became a republic in 1950 and began developing its economy. It has focused primarily on import substitution – unlike many developing nations, it has a strong home market – and exporting. For the first four decades after independence, businesses operated under what was called the 'Licence Raj' system, meaning that companies were given licences by the government, to allow them to operate.

This was a fairly protectionist stance and companies survived despite being unproductive, inefficient and without competition. However, in 1990, the government changed its approach and opened the country to so-called ►

- ‘LPGization’ – the liberalization, privatization and globalization of the Indian economy. This move drove domestic companies to become more global in their outlook, and to start competing with Western multinationals and making products that were acceptable beyond Indian borders. Many young Indians who had settled overseas came home in a wave of reverse brain-drain, armed with new business ideas. Indians are great entrepreneurs.

Hierarchy and inequality

Sociologists would call India a nation with a high power distance index (PDI). PDI is not about the absolute levels of inequality, but the degree to which the bottom (and top) echelons accept and expect inequality. This contrast – and acceptance – can be seen with homeless families living under sacking on the pavements of Mumbai outside the 27-storey, \$2 billion home of billionaire Mukesh Ambani. Mumbai is a city of 20 million people, where many have a monthly income of less than \$150. When doing business in India, you must understand the scale of inequality.

Indians have also embraced old British customs of hierarchy and there is high degree of formality between colleagues. It is common to call a superior ‘sir’ or ‘madam’. Similarly, influences of Hinduism and caste have created a culture that emphasizes established hierarchical relationships. All relationships therefore observe hierarchy. The idea of hierarchy is deeply rooted in the Indian psyche. Hierarchical relationships are important in the business context.

Working ‘through proper channels’ is highly emphasized. For example, if you are looking for a quick result on some licence application, take time to study the hierarchical set up of the office to which you’ve submitted it. If you respect the office hierarchy, your work gets done faster. Students call teachers ‘guru’ and at work ‘the boss’ is considered the ultimate source of responsibility and power. Hierarchical relationships mean bosses tell subordinates what to do and how to do it, and seeking permission from those above is a sign of respect. In India, bosses are like benevolent dictators who look out for their teams.

Family means business

Hierarchy also shows up in families, where the father is considered the patriarch and head of the family. Family ties bind India – just observe the crowds gathered outside airport gates to greet returning family members. Indians rely on family for everything, from arranged marriages to buying a home and naming a child. The elders are normally consulted before making important decisions and approval is vital. If a decision is made despite disapproval it causes unease in the family. For example, the Ambani brothers

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engaged in a well-publicized feud after their father’s death, until their mother stepped in and settled it. It is common to see several generations of families living under one roof and this makes relationships critical – in life and in business.

The family-owned company structure can be a challenge to doing business in India. From the small street-side vendor to the large multinational, many Indian firms are still family-owned. The larger ones are referred to as ‘promoter-owned’ companies and while the ‘promoter’ may not be the majority shareholder, he or she can act as wished on behalf of other shareholders. It can be difficult to know who the real decision makers are, as titles like group president or managing director can mean little. While this is changing, as companies become listed and subject to new rules of governance, it is still worthwhile investing time in identifying the real decision makers.

Bureaucracy, red tape and rules

For all the ‘India shining’ hyperbole, there are lots of pockets of success and plenty of impediments. There is a joke in India that you can bring proceedings to court and your grandchildren will inherit them. The regulatory framework has been tight in some industries such as banking, which actually stood the country in good stead during the 2008 financial crisis. However, not all aspects of the legal system offer business a level playing field. Contracts in India are not to be taken literally. Indians believe everything happens for a reason, which is a significant factor in its decision-making process – it is slow and people with a lot of authority typically reach final decisions.

Delays are frequent, especially when working with the government. Recently I took my son to watch one of the two Indian stops by the solar-powered aircraft on its maiden voyage across the globe. There was a lot of fanfare and media coverage, but a week later, the plane had still not departed. While people were blaming the rain – which only fell on one of the days – the genuine reason for delay was the long and arduous process of completing the paperwork, which threw out the entire schedule. The tax authorities can take a year to reply to queries. And while parts of the country have world-class infrastructure, others still struggle to get good power connections and airport connectivity. ●
— Nikhil Raval is managing director of Duke CE, Ahmedabad, India



INDIAN TOOLKIT SIX TIPS FOR DOING BUSINESS IN INDIA

There's a famous quote by an Englishman who wrote in his travelling diary "anything you can rightly say about India – the opposite is equally true". For anyone wishing to do business in India, here are some tips on working in a place like no other.



1 Hierarchy

If you want employees to be more independently minded and not consult you on every detail, you have to make this crystal clear from the outset. Just don't expect it to work in all cases – hierarchy is a deeply ingrained construct here. Similarly, don't take "yes" too literally – Indians hate to disappoint the boss, so will often give an optimistic response when managers and leaders are seeking a realistic one.

Make sure you don't take 'yes' too literally – Indians hate to disappoint their manager



4 Rural markets

India is incredibly diverse with regional tastes and dialects. What works in one part of the country may not work in another. For instance, the noodles offered in south India come with sambar, a lentil stew that is a core part of their diet, while the noodles in the north and west are more traditional. A large part of India is still rural and this is a cost-conscious market. Distribution and pricing are two major pitfalls because transportation can be tricky. Smaller packages and products are often better because they appeal to thrifty Indian villagers and also allow them to try various products without committing to a large expenditure. Small sachets of shampoo priced at only two rupees were part of Unilever's success story in India.



2 Time

The Hindi word "kal" means both tomorrow and yesterday. As Salman Rushdie said in *Midnight's Children*: "No people whose word for 'yesterday' is the same as their word for 'tomorrow' can be said to have a firm grip on the time." There is a reason why Indian Standard Time is regularly described as Indian Stretchable Time. Indians experience time differently. In the West, time is linear and things occur in a logical progression from beginning to end. Indians are relatively insensitive to time. For them, time bends to accommodate life and routines, so appointments and deadlines are fluid. Indians arrive late, digress from a topic, meet you at short notice, give you all the time you need, take their time to respond and do not think it important if they take additional time for a project. If you can adapt and cultivate patience, you are more likely to avoid frustration.



5 Urban India

In urban India, many people are moving away from multiple-family households to nuclear units. The number of employed Indians is rising, particularly among women who have increased disposable income. Children-to-teenagers are pampered with toys, gadgets and clothes which means higher demand for consumer goods. Many urban Indians are well-travelled today, so giving them a global product is good, but giving your product an Indian twist is a much safer bet. Indians are pretty set in their ways when it comes to certain elements of their culture so how can you 'Indianize' your product to yield success? Fast food giant McDonald's realized its standard Western menu wouldn't work for Indians, many of whom are vegetarian and most of whom don't eat beef. It changed its menu to offer the McPaneer Royale wrap with Indian spices. It was a roaring success.



3 Contracts

Recently, a client of seven years' standing, a large Indian conglomerate, commissioned work for an eighth year, but failed to sign its contract. When I indicated that we couldn't proceed without a signed contract, they accused us of not trusting them. In the end, the work was delivered and the contract signed after its completion. In India, putting something down in writing doesn't mean it will be honoured to the letter. Indians have a relaxed view of contracts. They are used to constant changes in the environment and have a tradition of giving more weight to personal relationships. On the other hand, contracts may be breached by parties which know it's going to take the other side forever to seek justice through the complex legal structure – so research your potential partner thoroughly.



6 Reciprocate goodwill

The Indian social custom is all about reciprocity. When an Indian goes out of his way to help, he expects you to remember the gesture and return the favour. Return goodwill gestures as long as it doesn't compromise your values. It needn't be much; you might ask for an opinion from an Indian team member. This makes Indians feel respected and may exceed their expectations. Doing such things goes a long way to ensuring your business success in the country.

A recently retired chief executive of Microsoft said: "If you can succeed in India, you can succeed anywhere." Our newly elected prime minister intends to make India among the top 50 in the world in terms of ease of doing business. The changes are becoming visible. I know my son's generation will see a new and vibrant nation.