

CAN
INDIA
WIN?



BHARAT BALA PRODUCTION

Think Competitive

How competitive are we? We threw the issue open to more than 1,000 Indian citizens of varying levels of responsibility. A BT-ORG-MARG SURVEY

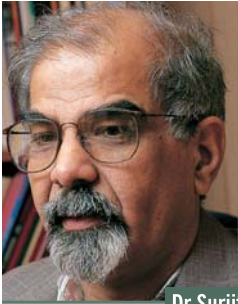
DISSECTING STATISTICS, BURROWING THROUGH the library, wracking the brain and pontificating for the record are all very good. But for clues on what Indians at large think about our business competitiveness, there's no better device—short of mass-telepathy—than a sample survey.

There are two particularly alluring aspects of such an exercise. One, the respondents are picked randomly, so their opinions could be taken to represent those of the larger population, at least within a fairly acceptable bracket of accuracy. And two, the responses are anonymous, which allows people to voice their minds freely.

To get a good cross-section of opinion, the sample of 1,053 respondents includes a diverse set

of thinkers, from CEOs, executives, bureaucrats and economists to housewives, students, ordinary citizens and politicians. The questions concern such issues as competitiveness, protectionism, success factors and even the attitude of current superpowers towards India's own quest for superpower status.

One may think that respondents would require a high level of business awareness, but the point is that almost everyone has an opinion on these matters. Which is good. More interestingly, the responses do not vary all that much from one respondent category (say, executives) to another (say, students). In fact, the only category that stands out for its exceptionalism is that of politicians. Interesting, is it not? Go ahead—read on.

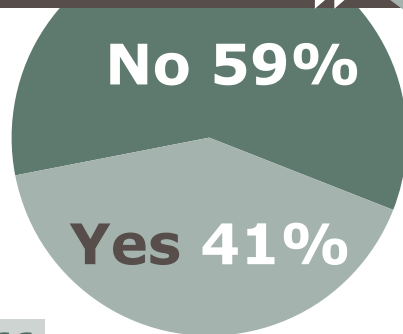


“Protection is a motherhood question, the answer will always be why not? However, the answer would have been very different had one asked whether second-class products are acceptable”

Dr Surjit Bhalla, President, Oxus Fund

Will the economy's opening up result in the closure of Indian companies?

Base: All Respondents (1,053)



There are two ways you can read this graphic: nearly 41 per cent of the respondents, and that's a sizeable proportion, did have apprehensions on Indian companies closing down with the economy opening up. But what this also reflects, and this is not really apparent, is the un-competitiveness of several existing companies! It is equally true that a large number of existing and new businesses will continue to flourish: a majority of Indians, 59 per cent, know that these companies have what it takes to compete, here and elsewhere.

% saying 'yes', by respondent category



Will Indian companies close as the economy opens up?

Isn't it ironic that the people who lead us, our politicians some of who write economic policy, are the ones who have the least faith in the competitiveness of our businesses? For the people in the know, CEOs, bureaucrats and economists, it was kind of a non-issue.



“When everyone, Indian and foreign companies, are subject to same policy distortions, competitiveness depends on business-specific factors”

Dr Kirit Parikh, Director, IGIDR



“Indian businesses are still trying to compete at the commodity end, and, therefore, brands are not considered to be critical resources”

Sorab Mistry, Chairman & CEO, McCann-Erickson India



“Government policy has always been neutral to Indian and foreign companies. It is other competitive factors that make the difference”

Sunil Mittal, Chairman & Managing Director, Bharti Televentures



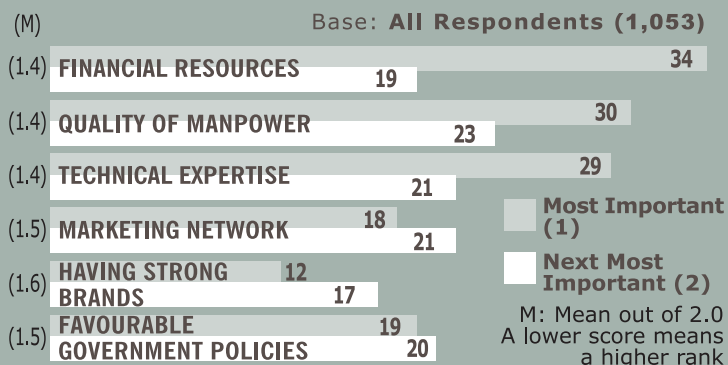
“The impact of foreign companies, if allowed in retail, in the next decade will be marginal, largely because they will be urban-centric”

Raghu Pillai, President & CEO, RPG Retail

GRAPHICS BY KAPIL & PINAKI PAUL

Factors determining how Indian companies will fare against foreign competition

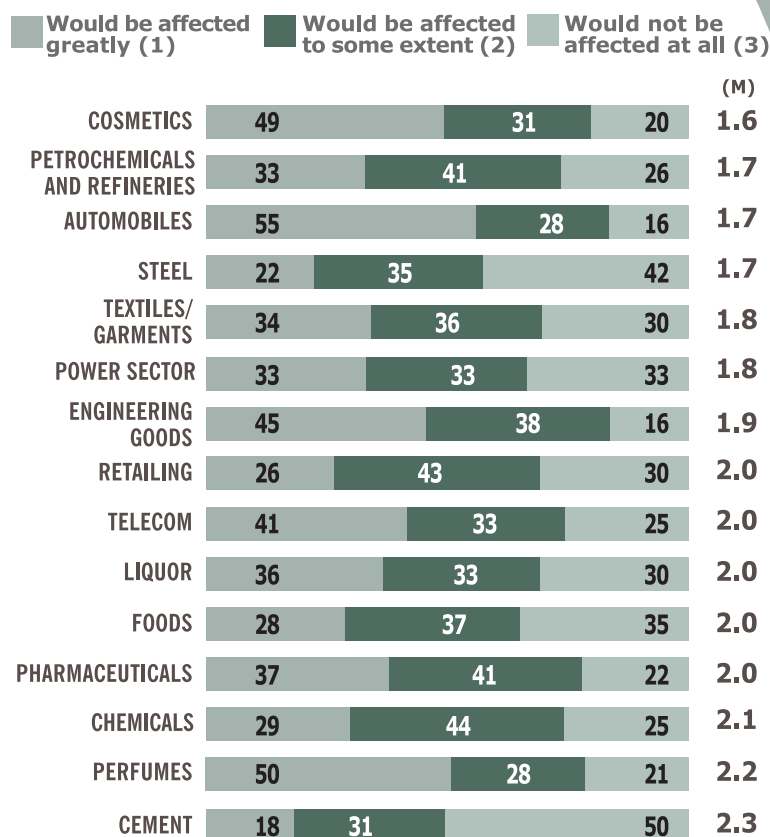
Three out of the six critical factors listed by respondents—quality of manpower, technical expertise and marketing network—are directly related to labour. Clearly, there is much riding on the on-again, off-now much touted second-generation reforms. However, a third-world commodity-driven mindset still plagues us: we see a limited role for brands in building global competitiveness.



Degree to which entry of international companies will affect various sectors

A mixture of fact, fear and paranoia. The respondents believe cosmetics to be the most threatened sector; cement to be the least.

Base: All Respondents (1,053) M: Mean out of 3.0 A lower score means the sector would be more affected
All figures in %

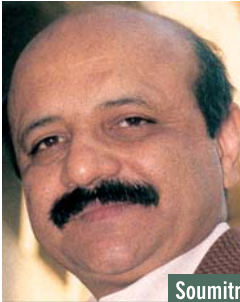


Other factors that will enable Indian companies to flourish in the face of foreign competition

For all the talk of political stability and the government's ability to create growth-favourable policies, it is still better quality products and better technology that will help India Inc compete and succeed globally. So says the informed audience of economists and intellectuals, people otherwise ready to sound off on the imperative of good governance.

Base: All Economists/ Experts/ Intellectuals

Better quality	18
Better technology	6
Healthy competition	6
Cheaper price	4
Innovation	2
Better management	2
Cheap labour cost	2
Stronger economy	2
More advertisements	2
Eradication of poverty in the rural areas	2
Consumer satisfaction	2
Through encouragement of handicrafts sector	2
Political stability	2
Relationship with customer	2
Increasing productivity	2

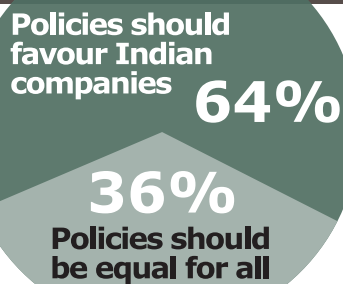


"People will always seek protection for as long as the nation-state exists. This will always be so. Aren't China's economic policies a reflection of its politics"

Soumitra Choudhary, Economic Advisor, ICRA

Should the government's policies continue to favour Indian companies in an open economy?

Base: All Respondents (1,053)



Indians are not in favour of a level playing field. Well, this would be true of any nation, at any point of time, for questions like these inevitably get understood and hence responded to on the nationalistic level. Period. On the contrary, the mere fact that nearly 36 per cent favour neutral policies, means India has travelled quite a bit down the free-market road.

"Our government is still not proactive enough, unlike in China, to co-opt and build a successful economic model"

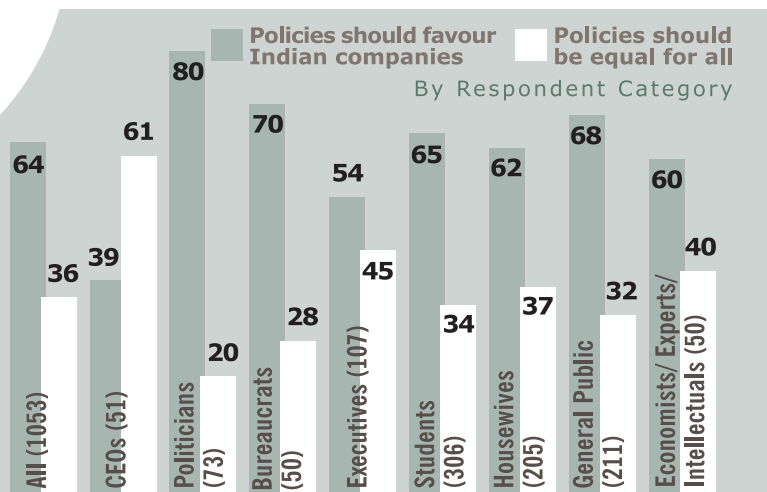


Bijou Kurien
Chief Operating Officer, Titan Industries



"China has been able to attract huge FDI. That, coupled with indirect subsidies and low wages, has given it a definite competitive edge"

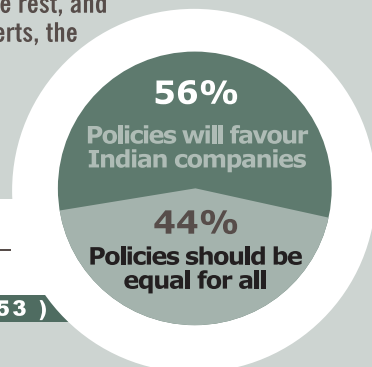
Shashanka Bhide
Chief Economist, NCAER



Should the policies of the Indian Government continue to favour Indian companies in an open economy?

Ignore everything else, just look at the response of CEOs. Clearly, Indian CEOs have managed to acquire the maturity and the global vision of their open-market peers. As for the rest, and that includes economists and experts, the less said the better.

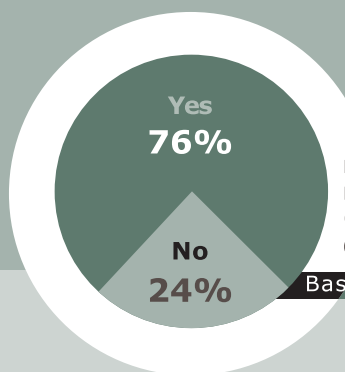
Numbers do not add up to 100 because of missing responses.



In reality, will the government's policies continue to favour Indian companies?

Even when nationalistic tendencies force us to believe the government should favour Indian companies, the inevitability of globalisation adds a dash of reality—we know that commitments such as those to WTO will have to be honoured.

Base: All Respondents (1,053)



Does the Chinese government favour local players?

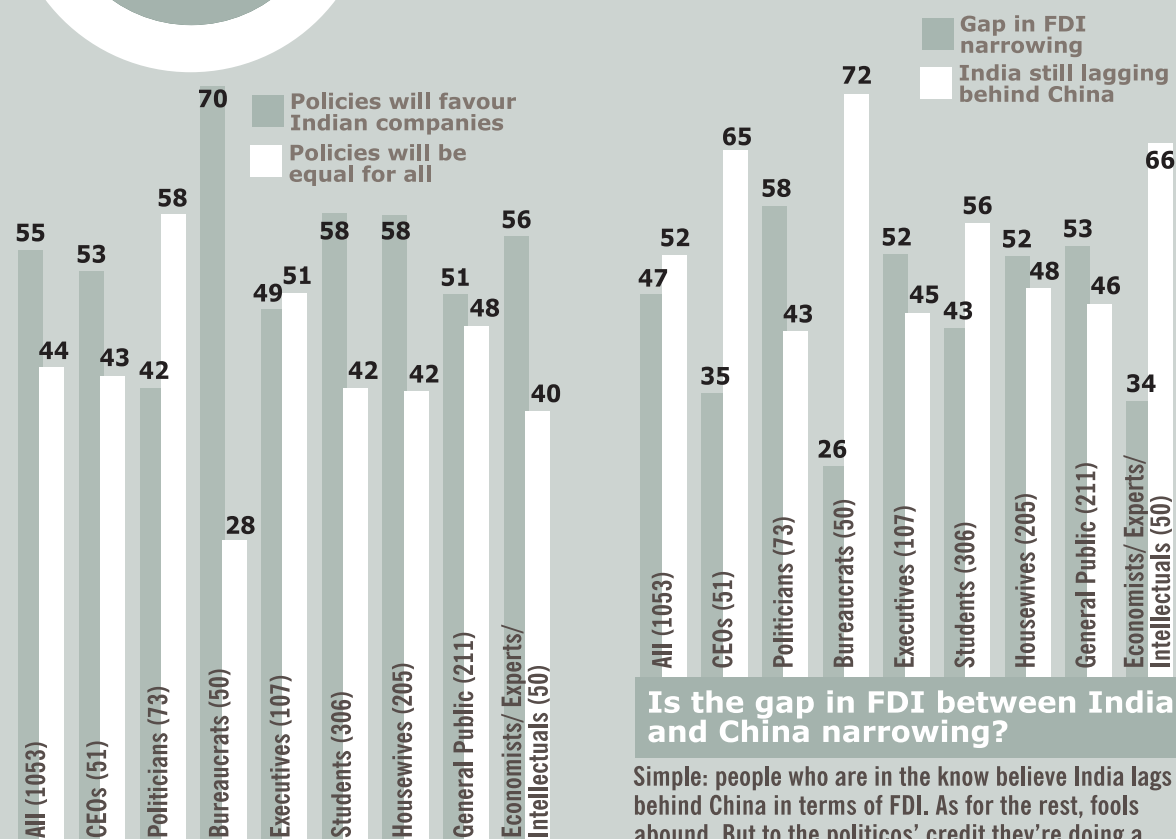
Indians believe that China's policies are a direct reflection of its politics, and being a totalitarian regime helps. Even then, the scale of their bias (towards Chinese companies) may be exaggerated—most people haven't forgotten 1962.

Base: All Respondents (1,053)

"India, at best can grow at 7 percent, and that too only after a drastic policy intervention. Forget matching China's 10 per cent for the past decade"



Jiban Mukhopadhyaya
Chief Economist, Tata Group



Will government's policies continue to favour Indian companies?

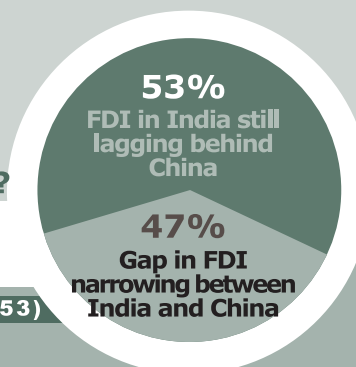
CEOs know but hope; execs know; but the real surprise is the political fraternity—it actually believes India's economic policies will not favour Indian companies. If there is a message hidden somewhere here, it misses us.

Numbers do not add up to 100 because of missing responses.

Is the FDI gap between India and China narrowing?

Actually, the question shouldn't have been asked, or answered: not when the difference is in the magnitude of tens.

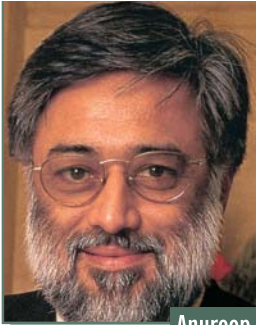
Base: All Respondents (1,053)



Is the gap in FDI between India and China narrowing?

Simple: people who are in the know believe India lags behind China in terms of FDI. As for the rest, fools abound. But to the politicians' credit they're doing a good job of convincing the public that the gap is indeed narrowing fast.

Numbers do not add up to 100 because of missing responses.



"What holds Indian companies back is the inability to take risks, lack of global experience, and the shortage of financial resources and world-class domain expertise"

Anuroop Singh, CEO & MD, Max New York Life Insurance

Even today, what limits India Inc's global competitiveness is not so much its financial or technological prowess (or lack of the same), but the absence of the mindset required to 'think global'. Nothing else can explain India Inc's consistent underperformance on the global stage.

Do Indian companies possess the required qualities to compete globally?



"We can be competitive in foods, within areas where we have an edge in raw materials, by linking it to manufacturing competitiveness"

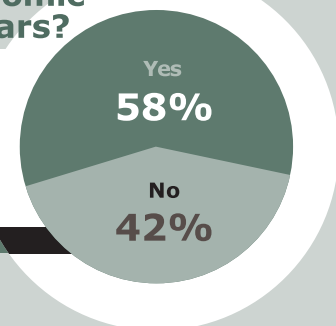


Utpal Sengupta
President, Agro Tech Foods

Can India be a major economic power in the next five years?

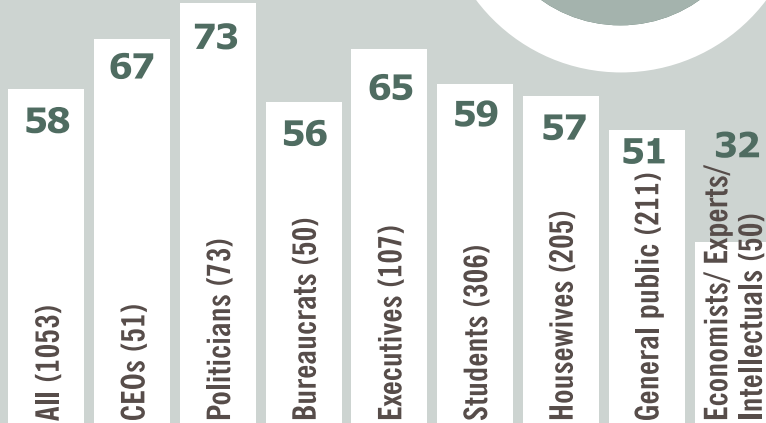
Our Superpower ambitions flow directly from Mr. Bharat's optimism born out of the conviction that things are changing and for the better. Well, if China could do it, why not us?

Base: All Respondents (1,053)



"Our competitiveness depends not so much on brands, design or technology, but our ability to transform the labour market and interact with the global market"

Siddharth Verma,
MD, Reebok India



Will India become a significant economic power in the next five years?

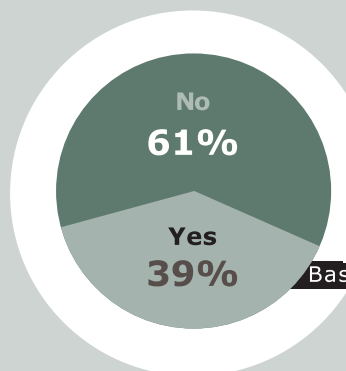
% saying 'yes'

"Manufacturing is going to move out of the West almost entirely in the next five years. India has to step up the pace of critical reforms to grab this market"



Raj Jain
MD, Whirlpool Of India

Economists are the party-poopers, insisting that India needs to grow by at least 9 per cent a year for the next 10 years to double per capita income and come within striking distance of being a superpower-wannabe.



Will the superpowers permit India to become an economic superpower?

The superpowers did not want China to become an economic superpower. Did that stop the country? The predominant negative response stems less from any actual act by first world countries and more from our inclination to portray ourselves and the country as victims.

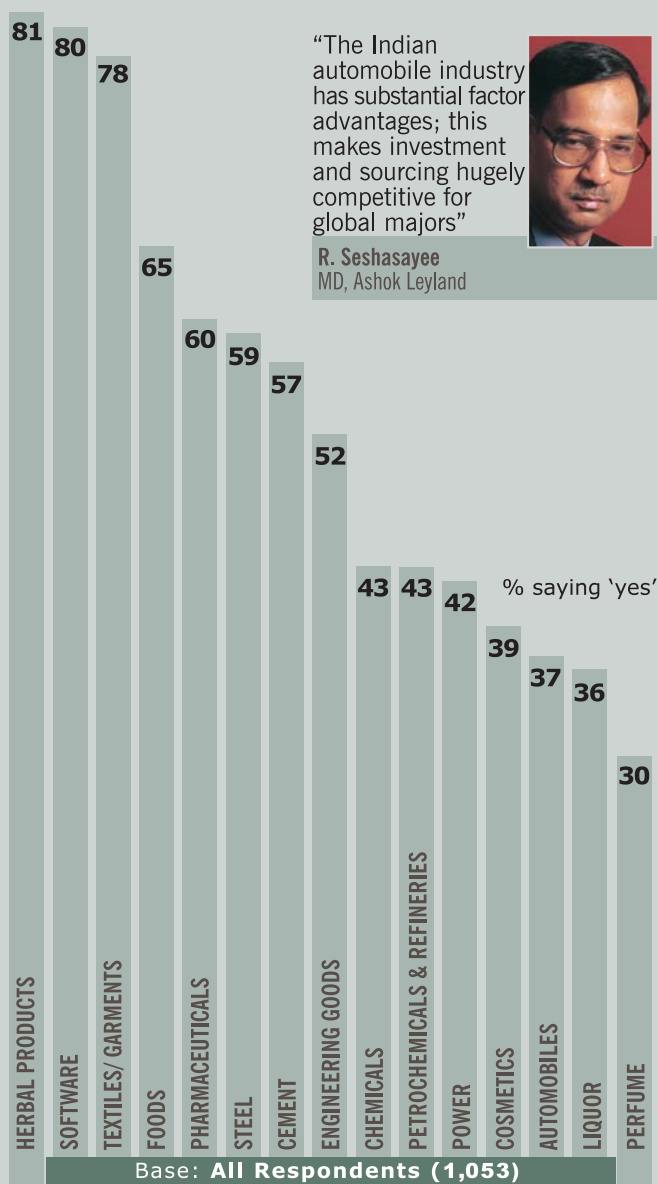
Base: All Respondents (1,053)

Will the superpowers permit India to become an economic superpower?

Nearly one out of two economists, those eternal naysayers, believe the superpowers can't do a thing. But most politicians and bureaucrats believe otherwise. And given that they're the ones who will be fighting most of the global trade policy-related battles, this does not augur too well.

All (1053)	39
CEOs (51)	45
Politicians (73)	25
Bureaucrats (50)	22
Executives (107)	30
Students (306)	41
Housewives (205)	42
General public (211)	42
Economists/ Experts/ Intellectuals (50)	48

% saying 'yes' by respondent category



Base: All Respondents (1,053)

"The Indian automobile industry has substantial factor advantages; this makes investment and sourcing hugely competitive for global majors"



R. Seshasayee
MD, Ashok Leyland

In which sectors will Indian companies excel in the global market?

Forget herbal products, we should be focusing on businesses like textiles, software, and pharmaceuticals—these are tomorrow's winners.

Suggestions for policy-makers to enable India to prosper at the global level

Improve product quality	1
Practice protectionism	2
Focus on attracting FDI	3
Improve infrastructure	3
Usher in a competitive interest rate regime	3
Ease export process	3
Urge more Indian companies to go global	3

Cerebral as this question is, it was posed only to economists, experts and intellectuals. Surprising then, that they should pick protectionism as suggestion No.2.

Number indicates importance of suggestion
Base: All Economists/ Experts/ Intellectuals

What To Make Of It All

THE MESSAGE IS CLEAR. Indians have gotten over their initial fears related to the opening up of the Indian economy. In fact, the survey's results display a reasonably healthy degree of self-confidence in facing global business—though it is also amply clear that most people would also like the Indian government to continue with some form of support for Indian business. This sounds contradictory, but sentiments are not always rationally consistent.

Interestingly, the competitiveness perceptions of politicians are at variance with those of people in the actual hurly-burly of business. While the politicians haven't quite abandoned their paternalistic instincts, businessmen seem content to be left to do their own thing, even though they know only too well that they cannot escape the inevitable churn that results from



exposure to world competition—with the weak dying and the strong surviving. This suggests that it is time that Indian policy-makers take their cues from business—for the latter have become the country's true opinion leaders, at least for those aiming to be globally competitive.

The one area where the respondents appear rather unrealistic in their assessment, is their

opinions on China. It appears that Indians, by and large, are quite clueless about the real reasons behind China's growing economic strength, preferring to view that country only through political lenses.

That stands out in contrast to the realism displayed in picking business sectors where respondents detect a clear competitive edge (herbal products, software and garments, for example), and in identifying the key resource enablers for global success. Most of these enablers are the result of private pursuits, and if the government were to remove the last remaining artificial constraints on Indian business, self-confidence would go up further.

It would also help if we could put the 'victimhood syndrome' behind us, once and for all, and stop whining about a world allegedly ganging up against the

country. That shouldn't even be an issue. No superpower wants to see itself eclipsed, but no force can stop a nation that is determined to make a success of itself.

For that, goal-orientation is a must. And for that, a sense of global realism. "In engineering and lot of other manufactured goods, India, much like China, won't be the technology or R&D base, but just sourcing and manufacturing one," says Raj Jain, Managing Director, Whirlpool Of India. However, for actual competitiveness in manufacturing, says Bijou Kurien, Chief Operating Officer, Titan Industries, some more policy hurdles will have to be cleared, and the requisite infrastructure put in place.

The sectors where regulatory policies and infrastructure have only been minor hindrances, and where competition has been a fact of life, Indian business has done remarkably well. Computer software is the best example of this, and it is best placed to spearhead India's shot at superpowerhood. "Agriculture and manufacturing should keep pace at the same time, for the dream of becoming a superpower to become a reality," adds Rajiv Kaul, Managing Director, Microsoft India.

Agriculture offers some natural advantages, and value-addition possibilities are aplenty, but the fight for a level-playing field worldwide will have to be strong and sustained. While crushing costs, India will also have to work at differentiating its produce—all the serious money is in uniquely branded stuff, not commodities. "We must think big, and build a mental attitude to market uniquely Indian stuff on a global basis," says Sorab Mistry, Chairman and CEO, McCann-Erickson India. It is possible, of course, to give a unique dimension to any product or service. But before all that, Indian business must get under the skin of the global consumer. Understanding the overt (and more importantly, latent) needs of this unfamiliar creature could make the difference. Do we know anything about the Chinese video-game jock? **bt**

How We Did It

Research Objectives

- To evaluate what Indians think of India's competitiveness on the global stage
- To identify the factors that enable or prevent Indian businesses from excelling globally

Research Design

- 1,053 interviews among randomly selected respondents using a structured questionnaire
- Fieldwork carried out in seven major Indian cities: Delhi, Mumbai, Kolkata, Chennai, Bangalore, Ahmedabad and Hyderabad
- Profile of respondents included CEOs, politicians (MLAs or MPs), bureaucrats, executives, students (in some professional course), housewives/ general public (only among SEC A/B households) and economists/ experts/ intellectuals
- Fieldwork carried out between 22nd and 30th November, 2002

Areas of Enquiry

- Obtaining reactions to the concept of an "open economy"
- Examining the fall-out of the entry of international companies into India
- Determining those sectors that would be most affected by this
- Determining whether Indians think India can compete globally
- Arriving at facilitators and barriers to Indian businesses succeeding globally
- Determining those sectors where India has the potential to compete globally

Sample-Size & Break-up

	DELHI	MUMBAI	KOLKATA	CHENNAI	BANGALORE	HYDERABAD	AHMEDABAD	TOTAL
CEOs	10	15	6	5	5	5	5	51
Politicians	35	10	10	0	6	7	5	73
Bureaucrats	25	8	4	4	5	4	0	50
Executives	25	25	10	10	10	11	16	107
Students	55	44	44	45	46	43	29	306
Housewives	30	30	32	30	29	34	20	205
General public	31	33	30	31	30	32	24	211
Economists/ Experts/ Intellectuals	20	9	7	4	4	4	2	50
TOTAL	231	174	143	129	135	140	101	1,053