



Is Your Tech Business in India Keeping You Awake?



ODGERS BERNDTSON
Search Intelligence





Every economist agrees that India, alongside China, represents the biggest market opportunity for western companies over the long term. The opportunity is clear. The challenge is one of timing though, as most technology vendors measure performance each year, not on the long cycles that economists see.

Based on our experience, we estimate that over the last decade, even during times of double digit GDP growth, less than 20% of Global Technology Vendors with an investment in India have tasted real success. Others have struggled to survive, and some have even closed their operations and withdrawn from the India market.

■ Why have some companies been successful in India and why have most struggled or failed entirely?

“The pipeline is huge, but not converting.”

To quote some recent conversations with regional VPs struggling to get their India business to perform:

“We just cannot get our business to grow the way we want it to, and this is our second Country Head in three years!”

“Why is India so difficult? It seems like nothing ever moves or gets done over there.”

“India for us has been an example of where the pipeline is huge, but not converting.”

The India market has its own unique dynamics and MNC’s have found it difficult to apply their tried and tested models and make them work. Added to this, the economy has been in a tough place over the last two years.

If the US or any country in Europe had a GDP growth rate of 5%, it would be seen as a boom, while in India, the current growth of 5% is seen as a disaster, as this is half of what it was 2 years ago. Interesting perspective!

There is a whole laundry list of issues that are holding back the economy today

from the much higher average growth rate projected for the next 30 years:

Falling growth rates, inflationary pressures, dismal investment climate, alarming fiscal deficit and the slumping rupee...

Then add regulatory uncertainty and poor infrastructure, which has led to a negative impact on private sector investments. High gold and oil imports have widened the Current Account Deficit. The currency lost more than 16% against the dollar in less than three months beginning in May, making it Asia’s worst-performing currency.

Profit margins in the IT sector are increasingly under pressure because of the devalued currency and also the fact that the workforce has been enjoying 9%-12% wage increases for years in a row.

Recent trends show that at executive levels, compensation in India could overtake the US and Europe. At present, salaries at mid-management levels in the IT sector are about 35% of US salaries, and at leadership levels almost 60%.



■ Is there light at the end of the tunnel?



“India is a country with huge potential and it remains an attractive, high-priority market.”

Believe it or not, despite the current state of the Indian economy, things are starting to look a whole lot brighter!

A new government is expected to be in place after the national elections, in early 2014. Corrective measures have been initiated by the current government to discourage gold imports, hike the Foreign Direct Investment limits in a host of sectors like telecom and retail, and a raft of financial controls to ensure stabilization of the currency. All of this aims to push growth back to projected levels.

Raghuram Rajan, Governor, Reserve Bank of India said *“India’s current account deficit is under control and the outlook remains positive”*.

Many leaders across industry are still optimistic on India. *“For India the long-term story remains intact with strong domestic*

demand, high savings rate, favorable demographics and rising literacy. But it must deal with supply-side constraints, which are stifling growth”, says Anshu Jain, co-CEO, Deutsche Bank.

While recently announcing a \$5.5bn investment package in India, Indra Nooyi, CEO PepsiCo recently stated *“India is a country with huge potential and it remains an attractive, high-priority market for PepsiCo.”*

And Vodafone India CEO Marten Pieters said: *“We are obviously bullish on the India opportunity. India has disappointed us a bit with regulatory uncertainty in the past two years, but now that phase is almost over. Our profitability has gone up.”*

“With the availability of talent, entrepreneurial spirit and potential to leverage the technology to innovate, the



“India is growing faster than China. Good uptake.”

country has huge potential for growth”, N Chandrasekaran, Chief Executive Officer & Managing Director of Tata Consultancy Services (TCS).

Global technology companies are bullish on long term business prospects in India but want regulators to accelerate the process of approving their proposals for upgrading communication networks across the country. As much as US\$4bn worth of investments in the sector is lined up to be spent over the next year. Raising of the FDI cap for the sector from 74% to 100%, industry consolidation, better realization from tariffs and an end to price wars are seen as positive trends in telecom sector.

Some global Technology Vendors have managed to adapt their business well to the India market and are thriving:

“India is growing faster than China. Good uptake. Still heavy discounts and lots of negotiation, but overall the business has not slowed.”

“India is strong for us. Don’t want on premise. They love the cloud concept.”

“Good growth in India over last four quarters and next year looks good too.”

“25%-30% growth next year. We need to aggressively expand. Good balance of overall business. Great growth engine for us.”

We have yet to meet a regional VP who says that India is easy. It’s not and never will be. Let’s accept this as a given. From here though, it is crucial to link the right kind of leadership and execution that will work in India. This will be different to what works in Boston, but embracing the difference is the key to the success of those companies who thrive here.

India is on a trajectory to be a major global economy and, for truly global companies, it is crucial to be here for the long haul and get it right.





■ About Odgers Berndtson

Odgers Berndtson is one of the leading international executive search firms. Our reputation for excellence and integrity has been established over 40 years. We act as trusted advisors to clients who need help recruiting for important positions.

A truly global brand, Odgers Berndtson delivers worldwide executive search solutions from more than 50 offices in 29 countries.

■ Gaurav Seth



Gaurav Seth is a Partner in the Odgers Berndtson Global Technology Practice and is based in New Delhi. He brings significant senior level executive search experience in India for over seven years.

Prior to search, Gaurav has a track record spanning over 20 years as a business leader with major global multinationals.

He started his career with ANZ Grindlays Bank, where he worked in technology and retail banking in Australia, India and the United Kingdom.

He then held BPO leadership roles with Genpact and Standard & Poor's.

Gaurav completed his B.A. in Economics at St. Stephen's College, Delhi and his Post Graduate Diploma in Management from India's leading business school, the Indian Institute of Management, Ahmedabad.

■ Contact Details

E: gaurav.seth@odgersberndtson.com

T: +91 124 456 6751



Global Offices



International Executive Search and Assessment in 29 countries across the world

Americas

Brazil
Canada
 Sao Paulo
 Halifax
 Montreal
 Toronto
 Vancouver
Peru
 Lima
United States
 Boston
 Chicago
 New York
 Philadelphia
 San Francisco

Europe

Austria
Belgium
Denmark
Finland
France

Germany

Italy

Netherlands
Poland
Portugal
Russia
Slovenia
Spain

Sweden
Switzerland
Turkey
United Kingdom
 Vienna
 Brussels
 Copenhagen
 Helsinki
 Paris
 Lyon
 Frankfurt
 Hamburg
 Munich
 Milan
 Rome
 Amsterdam
 Warsaw
 Lisbon
 Moscow
 Ljubljana
 Madrid
 Barcelona
 Stockholm
 Zurich
 Istanbul
 London
 Aberdeen
 Birmingham
 Cardiff
 Edinburgh
 Glasgow
 Leeds
 Manchester

Africa, ME & Asia Pac

Australia
China

Japan
South Africa

India
Singapore
United Arab Emirates
Vietnam
 Sydney
 Hong Kong
 Shanghai
 Beijing
 Tokyo
 Cape Town
 Johannesburg
 New Delhi
 Singapore
 Dubai
 Ho Chi Minh City

