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# Doing International Business Research Project



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## Introduction

With increasing globalization that has happened lately, business dynamics all around the world have changed. Companies are looking to expand and explore new market opportunities, while in parallel the presence of a virtual market has had its contribution as well. Just like Friedman puts in his words that the world is flat, he points out that the world have evolved so much in recent past that boundaries do not matter in contemporary times (Budhwar & Varma, 2010). Companies are exploring new market opportunities continuously and therefore a rise in the percentage numbers for MNCs have taken place.

Although, this is a debate which is far from being settled, undoubtedly there are indications of greater integration among all parts of the world and attempts whereby businesses are looking to expand their markets. However, contrary to this Pankaj Ghemawat suggests that there is nothing such as world is flat and in his opinion there is a long way to go, before any such conclusion could be reached. He believes that companies still should fully exploit the opportunities that are present in the local market before exploring the ones in other regions, only then would they be able to prosper. While both these arguments could be true, trends and strategies of various large companies such as Nike, Shell, HP and others clearly indicate that the economic trends are becoming more globalized in nature.

Keeping both the arguments aside, the number of MNCs entering the emerging markets such as Asia (India and China in particular) have grown several folds; a trend which is likely to continue and may gain pace over time. Both these economies are growing at a rapid pace and being the top two most populated countries in the world, growth potential here remains unparalleled, one

which businesses look to capitalize on. The level of exports for these countries has also experienced a positive trend, indicating the potential that this market has. However, several local companies may appear to be small but the cultural dynamics of India are such where consumers may not look to experiment a lot and remain brand loyal.

To begin with, we establish a point; “Businesses are looking to expand and enter new markets. This involves critical planning, forecasting, taking into account the potential risks and downsides and an effective strategy which would help the company go places.” This shall be the central focus of this paper, having said that, we would delve into the potential risks that are associated with businesses entering new markets and how a perfect balance could be struck between the positives and the likely demerits. The analysis of these risks would then be backed up by several recommendations and a well thought out marketing plan, ranging from launching the product to ensure that it stays within the market and is able to generate healthy profits.

In order to make the paper more focused in its approach, we shall discuss the **Asian market (India)** in detail, to give the reader a holistic picture of what the possible risks are of operating in an Asian market.

## **Asian Market Profile**

Asia, predominantly speaking is considered to be the fastest growing economy. With tremendous growth in India and China, which are the two biggest economies in the region, certain growth opportunities exist. Although, recently Asia has experienced lower inflation levels, evidence of which could be seen with China’s central bank lowering the interest rate last year and India experiencing its slowest growth, undoubtedly there would be ample opportunities for growth in

India (Associates & Devonshire-Ellis, 2012). Moreover, the population trends in India suggest that there would be greater need for products and with improvements in infrastructure and academics; technological products have seen greater acceptance than it had before. Asian economy is perceived to have abundance in labor and therefore this has seen several foreign companies entering the market. Having said that, there have been instances in past such as child labor or corruptions in this region, in general companies have become a lot more focused in addressing them. Other than India and China, when we towards the eastern side, Japan is the strongest economy in the region, primarily from technological standpoint.

## **ABC Company Profile**

ABC Company is a well established brand in Dubai and is considered to be an important industry player in the technological sector of Arab Emirates. With prolific success that it has had in the Gulf region, ABC is looking to expand its operations for which it is studying different markets ranging from Asia, Latin America and even a few parts of the African region. However, due to close proximity that Dubai has with Asian market and India in particular, the company wants to study the risks associated with operating in India and how they should deal with them. It would be critical to the organization's long term success and its global reputation; therefore the management must be careful in evaluating all the propositions before any concrete decision may be taken. However, keeping all the risks aside, India could well be one of the fastest growing and high profit markets for the company and therefore it tends to present a lucrative opportunity to the management of ABC Company.

## Business Risks

Although there could be a wide range of risks and demerits of setting up a new business within an economy which is largely diversified where culture tends to differ from one country to another, yet the room for growth poses a lucrative opportunity in its own. Management and economic experts believe that with greater globalization, gaining expertise is what shall dictate the future business trends and therefore companies must look towards achieving them. Gaining expertise and a competitive advantage relates to lower costs and offering premium quality of the consumers, which has been one of the major factors of businesses operating in China and India. In order to have a successful business venture, it is critical that organizations must understand and account for the risks, whereby they must develop strategies of how to address and mitigate them. This is considered to be extremely important from the organization's standpoint, as a result of this great attention is paid towards addressing them. Business risks have become an integral part of organizations and companies have become a lot more focused in this regard. When a business plan is being prepared, these risks must be accounted for so that the strategies and goals which are set are directly in line with these risks. Understating these risks would definitely impact the organizational efficiency, therefore in initial stages businesses tend to account for greater risks and ensure that they are taken care of in the best of ways. Although the risk spectrum is a wide one, we shall be discussing the following risks in our case;

### Economic Risk

Any new business venture that is started is largely profit and growth driven. Businesses first evaluate the potential opportunity that may exist within an economy and then draws strategies that shall maximize their objectives. In case of India, IMF in its report has outlined several

positive expectations (Kumar & Sethi, 2012). First and foremost, India's GDP is likely to increase by 5.7% in 2013 with the region's growth expected to be 6%. Furthermore, the country's inflation rate has been 4.89% for the year and the unemployment rate stands at 9.8%. GDP growth rate is considered to be one of the major economic indicators and with India's GDP growth rate being close to the regional growth, suggests that the country has tremendous potential, one which is likely to supersede in coming years.

Once these numbers are put together, there are certainly positive expectations with regards to the growth opportunities that a business may have. The demographic composition for India is such where the youth holds a larger chunk; therefore there would be abundance of workforce for the company to hire. Labor costs tend to be one of the major expenses that a business incurs; this would be one of the biggest advantages that the company would have if it sets up operations in India (Nelson, 2008). Moreover, with recent academic policies that India has instituted, the demographics have evolved greatly and a large number of upcoming graduates are opting for degrees in the field of Engineering and Technology. Therefore, the right kind of expertise that would be essential for the growth of the business could be located in India, whereby the personnel would be aware of what the market is looking for, the ways in which it could be best served and most importantly how the company can be made cost effective in the long run.

While all these factors do sound lucrative and pose great opportunities for the business, there could be certain economic risks associated. This has been further coupled with the downgrade in terms of ratings as set out by S&P. First and foremost, India has experienced its slowest growth in this year in the last decade or so which is a matter of great concern for the authorities. Indian economy is a highly regulated one and therefore government regulations would play an important role. These regulations have a direct impact on how the banks and other financial



institutions work, consequently impacting the overall economic outlook. There is presence of several technological companies already operating in India and therefore there could be certain barriers to entry. Furthermore, several small scale technology companies have started their operations in India, therefore to boost the local companies; there may be certain policies that could impact the growth path for ABC Company. Moreover, since these small scale companies have established customer rapport, they might be able to give stiff competition to new entrants such as ABC.

### **Financial Risk**

Although India has faced some issues with its recent growth numbers, the fanatical position of the country still remains extremely stable, one on which businesses may capitalize upon. After the financial liberalization that the country underwent in the 1990s, governments in India have adopted a much more expansionary vision with regards to the foreign companies entering the market (Fischer, 2011). The idea behind this is not only to stimulate growth in the economy but to gain expertise as well. India with its large population has abundance in labor and therefore the Indian authorities believe that when foreign companies enter the market, there would be considerable learning opportunities for the workforce, which could later be translated into opening of new ventures on a local level and thus gaining competitive advantage.

Other than that, the financial markets of India are stable in their performance (Gesteland & Gesteland, 2010). However, gaining financial assistance from banks might not be extremely easy (Desai, 2012). Indian banks are highly regulated and strict control measures are institutionalized at all levels, and there are instances where foreign companies would need to enter into a partnership with an Indian company or in any other way suggest their association with the Indian

nationals to be able to acquire loan or obtain financial assistance. Obtaining financial assistance is one of the major considerations for any foreign company entering a new market as it reflects the government policies towards these foreign companies and if the business environment is conducive enough.

ABC Company must understand the financial dynamics of India before entering the market. Although the overall operational costs in India would be lower than what the company might be incurring in Dubai as of now, parallel to this the following actions should be taken;

- Understand the market risk as a whole which cannot be diversified, hence should be accounted for beforehand. Market risk refers to the risk that the company undertakes by entering the market and cannot reduce it in any way.
- Keep a close check on the monetary policies operational in India. When the interest rates are likely to go down, the company should look to borrow and expand its operations. In the current setting, there are speculations and pressure on the Reserve Bank of India to lower the interest rates to allow borrowing and growth in economy.
- Naturally, the company would carry out certain analysis before investing in any project or products in India, hence calculations related to NPV and IRR would be important. With the technological market on the rise, the company could be a little optimistic with its predicted cash flows and any calculations subject to cash flows should be based on Incremental Cash Flows.
- In case of raising additional funds, fully understand the debt and equity market of India. Usually the cost of raising equity is more as compared to debt; therefore in initial stages ABC should look to finance its expansionary options with debt. However, acquiring debt for a foreign company would not be very easy due to strict regulations; hence the

company must present its business propositions with effectiveness and in addition to its own growth, must mention how the Indian economy shall benefit with the operations of ABC Company.

## **Political Risk**

Politics tend to have a major part to play in the functioning of both local as well as international businesses. In a country like India, where democracy is the major system, parliamentarians are entrusted with the duties of preparing regulations that shall best address to the political system and general welfare of the people. While undoubtedly India is perceived of to be one of the biggest democracies in the world, it is also considered to be high on corruption. Currently India ranks 94<sup>th</sup> in the corruption index and in spite of decrease in recent terms, it is believed that still there exists a lot of government intervention and influence in how the business is run. There is a high degree of nepotism and due to strict regulations and government interference in how the companies operate within India, there is a highly probability of politicians interfering in ABC's operations and may demand certain favors which the company may not have to face while operating in Dubai.

Moreover, there could be a high degree of political uncertainty in India (Chang, 2010). A country which is highly diversified in terms of demographics and is spread out in a wide geographical area, any political uncertainty could have a considerable impact on the organization's performance. This could lead to regular strikes which would adversely affect the company's productivity in the long run. The level of competition is so intense in India that companies need to ensure that their production levels are at their optimum levels and they must not lag behind in

any way. In addition to this, there is presence of Labor Unions in India, which often are highly politically influenced.

Since, India is a democratic nation, elections that are held after every 5 years would mean that new parties may come in power and they might have a different set of policies and strategies towards foreign companies entering the market (Chandra, Rau, & Ryans, 2002). Any change in rules and regulations would have a significant impact on ABC's performance. Currently, Congress is in power and is perceived of as a lot more liberal rather than the second most powerful party BJP, therefore chances of economic liberalization remains high. Even if the management does not want to have close ties with the government officials, the system in India is such foreign companies are rather compelled to be in direct contact with the authorities to gain any advantage or support, be it in economic, financial or administrative terms. Naturally, administrative functions have a lot to deal with the policies as set out by the government in general, therefore adjusting to them is a challenging task in itself.

India borders with Pakistan on the west and the two nations have had a roller coaster ride in terms of relations with each other. Lately with incidents taking place in both the Pakistani and Indian prisons, where captives were brutally murdered across the borders, there is material animosity between the two of them. Trade relationships between the two neighboring countries have come to a halt and this could contribute further to the slowing of Indian economy. India's economic outlook shares a close relationship with its ties with Pakistan, therefore every government that comes into power on either side of the border looks to gain co-operation which would give boost to trade and economics. Since, the two countries share cultural proximity, when the trade between these two nations increase, the overall growth in the Asian market is

tremendous and opens new opportunities for both local as well as international companies (Gupta, 2008).

From a long term perspective, India's relations with Pakistan would have a major say in ABC's future. First and foremost, it shall determine the government's policies with regards to Pakistan and if there is enough support from the government to stimulate growth in the technological sector, that the industry remains profitable and continues to attract investments and customers. Also, ABC might look to expand its operations in the Asian region, for which political stability within the region and across borders would be critical. Unless there is peace in the region, it would be extremely difficult for ABC to sustain effectively and efficiently.

It would be in the best interest of the company to obtain services from legal advisors who have strong connections and networks with authorities. This would be critical in the early stages of the business because irrespective of how strong a management and set of resources is being offered; there is an inherent need to infrastructure and other facilities which only the local government may provide. However, in doing so, care must be taken that the company must not compromise on its core values. The famous Bhopal tragedy is a worth quoting example here when Union Carbide's management gave little heed to how the operations were being managed in its Indian division. There was a great deal of political influence in how the business was being run and many government authorities in some way or the other had a major say in running the venture. Consequently, there were several administrative flaws which appeared once the catastrophe had struck and when evaluated it was evident that lack of strong management control meant easy influence from political arena, hence resulting in a tragedy that took thousands of lives, billions of loss and so much so that Union Carbide eventually had to exit the Indian market (Messner, 2009).

From ABC's point of view, it would be in the best interest that the management for Indian operations be chosen in such a way that they have years of experience of operating within the local Indian market. This would allow the company to come to terms with the political framework that exists in India, thus organizational growth and efficiency, both would go up. On the contrary, failure to incorporate the political influence that is present in India in terms of conducting business, could lead to the following problems for the company;

- Difficulty in securing assistance of any kind from the government and related institutions.
- There can be instances where the officials might probe the company's operations for reasons of bribe. The management must understand that they need to be on good terms with the government in particular to avoid any business complexities in the future. However, it would be a test for the management to also ensure that it strikes the right balance and must not get exploited at the hands of the government as this could very well dent the company's operations, hence not being able to meet its strategic goals.
- Labor unions due to their political ties might get stronger than the company itself, which could lead to inefficient workforce and incompetent workers being hired.

### **Business Environment Risk**

The growth of any business depends a lot on the business environment where the company operates. Business environment deals with the fact as to how conducive the market is for new entrants and what opportunities are present for existing ones. It is considered to be one risk category that in addition to its own inherent feature is highly impacted by other factors in surrounding, such as economic growth, government policies, laws and regulations that have been

set in place, so on and so forth. Therefore, evaluating the business environment becomes all the more important for companies, especially foreign ones.

After the financial liberalization of 1990s India has become a lot more open towards international companies coming in India and setting up their production facilities. This has allowed the country to lower its unemployment rates and at the same time the country has gained global recognition. The availability of cheap labor which is skilled at the same time has been a source of competitive advantage for India, one which the country has exploited in recent times (Ph.D. & Sahay, 2010). Having said that due to strict government regulations and control over companies India was ranked 132 out of 183 economies in 'Ease of doing Business' category, which may not reflect the true potential that the market has (OECD, 2013). This has been majorly due to power problems, tax rates and high corruption index in the country. It is imperative that the Indian government must work towards eliminating these bottlenecks and if it is to compete with China and be in the driving seat as far as the Asian economy is concerned, it would be critical to foster an environment where foreign companies can actually enter and perform well. In this regard, China has been a famous case where due to high import tariffs and cost of entry, companies as big as P&G had to give a close thought to analyze if entering the Chinese market would be a profitable venture on the whole.

Furthermore, India was given a score of 54.6, thus occupying the 123<sup>rd</sup> rank in terms of 'Freest Index' (Bank, 2013). Recently, India brought in several reforms with regards to international businesses granting permission to foreign retailers such as Wal-Mart, foreign broadcasters and even foreign airlines. It is clearly indicative of the fact that India is opening up its doors for foreign investment, for it realizes that to extract the maximum potential in the global economy and to best utilize its competitive advantage of abundance of workforce, foreign investment

could catalyze the development process altogether. Such reforms are likely to help mobilize capital in the economy and would improve the current account deficit situation for India. Therefore, there is great emphasis towards nurturing an environment whereby foreign companies could enter and to create opportunities for local companies to build a value chain network that shall ensure the growth of the local companies as well as the Indian economy at large.

Although great expectations are associated with growth levels of India in the long run, 77% of the experts believe that slow economic growth in recent times has made the current business environment in India slightly unfavorable which could be seen with borrowings going down, thus companies are not looking to expand as of now. Therefore, many economic experts believe that it has become almost imperative that the Reserve Bank of India cut its interest rates so that people could borrow at lower finance costs and provide impetus to the economic growth. It must be kept in mind that if quick measures are not taken, Indian economy might continue to face tough times ahead, due to which several economic opportunities could be lost.

Tax laws in India are considered to be stringent for foreign companies operating within India. They are charged excessively higher than their local competitors which further makes it difficult for foreign companies to sustain within the market and to be able to compete well on cost basis (Ratheiser, 2010). The tax laws are as follows;

<b>Company with total income exceeding INR 10 million</b>	42.024% (40% plus surcharge of 2.5% and education cess of 3%)
<b>Company with total income less than INR 10 million</b>	41.2% (40% plus and education cess of 3%)



Other than these taxes, there are additional tax charges such as CENVAT, VAT, Customs Duty and Services Tax (Khanna & Palepu, 2010).

There is a strong presence of unions in Indian culture whereby it is believed that Union members' best cater to the interests of the workforce and raise their concerns effectively (Bose, 2009). Since, India's large population lives close to poverty line, government of India regularly takes initiative to ensure the protection of its labor and makes sure that there is no exploitation in any manner.

With regards to the minimum wage rate policy, interestingly, India has different wage rates for different parts of the country, so it essentially depends on where the production facilities are being set up. Recently, Delhi government has increased the minimum wage rates for workers by 6%, which means that the minimum wage rate for unskilled workers in Delhi would be INR 7,722 as compared to INR 7,254. Similarly, for semi-skilled workforce the minimum wage rate applicable in Delhi is INR 8,528 which was INR 8,008 before the increase. Talking of the skilled workforce, minimum wage rates have gone up from INR 8,814 to INR 9,386. Although there are labor policies which have been developed to protect labor interests and avoid their exploitation at all levels, due to lack of education, there is little awareness among the workers. Moreover, India is a collectivist society whereby relationships matter a lot. Therefore, if the employer builds a close relationship with its workers, this can increase their productivity levels significantly. However, from government's standpoint, issues such as Labor Insurance, Minimum Wage rate policies, Optimum working conditions and Health and Safety standards are regularly monitored.

Realizing its economic importance, governments in India have invested significantly in the development of its infrastructure. To minimize the transportation time, motorways have been

built particularly from business perspective. However, power shortage is still an issue that the country faces, however is devoted towards resolving them. With greater proliferation in the field of IT, India's IT infrastructure spending has gone upto \$2.3 Billion, clearly suggesting that Indian economy realizes the need to adapt to the changing market trends. Similarly, in another report it was stated that India is to spend \$1 Trillion on its infrastructural developments. Therefore, it can be concluded that the infrastructural developments in India would continue to take place and the government is determined about improving the technological side of its infrastructure, which would greatly benefit ABC Company.

### Indian IT infrastructure revenue by technology (in US\$ millions)

Revenue	2012	2013	2014	2015	2016	2017
Servers	707.4	753	792.3	836.8	892	962.3
Storage	346.3	374.2	430.3	507.2	604.7	702.3
Enterprise LAN	584.8	676.7	740.8	793.9	846	890.7
Enterprise WAN	266.3	284.7	305.1	327	354.3	373.8
<b>Total</b>	<b>1,904.7</b>	<b>2,088.6</b>	<b>2,268.4</b>	<b>2,464.8</b>	<b>2,697</b>	<b>2,929.1</b>

Source: Gartner, May 2013

### Legal Risk

The legal setting of an economy also has a fair share in shaping up the overall market dynamics and businesses must study the legal aspect of doing business in a foreign country, in order to ascertain if it is a lucrative opportunity. Entering a new business environment and not understanding the legal side of it completely may lead to several problems in the long run. Legal framework encompasses a wide range of factors ranging from financials, factory conditions, and

in some cases even pricing. For instance, the pharmaceutical sector is considered to be highly government regulated which means that even the pricing mechanism would have to be in line with what the government authorities outline. Similarly, another important legal aspect is of financial reporting. Different countries have different regulatory and reporting requirements and businesses must fully understand them, else hefty penalties may be served. There have been cases where foreign companies have not reported as per the rules and regulations as set out by the Indian law, hence misreporting their numbers and leading to legal intricacies. Legal matters are considered to be of highest importance and great sensitivity because it is closely associated with the overall reputation of the business.

India with the significant growth opportunities that it has is a target country for many businesses. However, the business environment in India is not an extremely open one, although lately the government has shown great openness in order to stimulate growth within the economy. Foreign businesses can find rules and regulations pertaining to the setting up of a foreign business in India, however it is believed that often there are several terms and conditions that might go unnoticed for they do not appear on the surface. Taxation in this regard is one of the prime examples that business quote, and hence it is highly recommended that ABC Company must look to hire legal consultants before entering the Indian market (Arlbjørn & Ingstrup, 2010). An Indian legal consultant company would better understand and comprehend the legal intricacies involved in the business and shall guide ABC to manage their affairs a lot better.

Talking of the availability of legal requirements for foreign businesses, it can be said that they are easily available and there are various journals and websites from where the information may be sought. The legal structure for foreign companies appears to be slightly tougher than what it was for the legal companies, but any law depends critically on its implementation (IBP, 2009).

What it means is that the degree to which these regulations are implemented is what actually determines the legal framework and the risks associated with it. As previously discussed and some light shall be shed in the coming sections, Indian government is the central point in running businesses in India. Unfortunately, the corruption index is high in India and the implementation of law could well be subjective. This means that certain set of rules and regulations may be waived off depending upon the relationship that the management maintains with the government authorities. However, generally it is perceived that the government in India is strict on its regulatory framework and in case of foreign companies; the level of implementation is high.

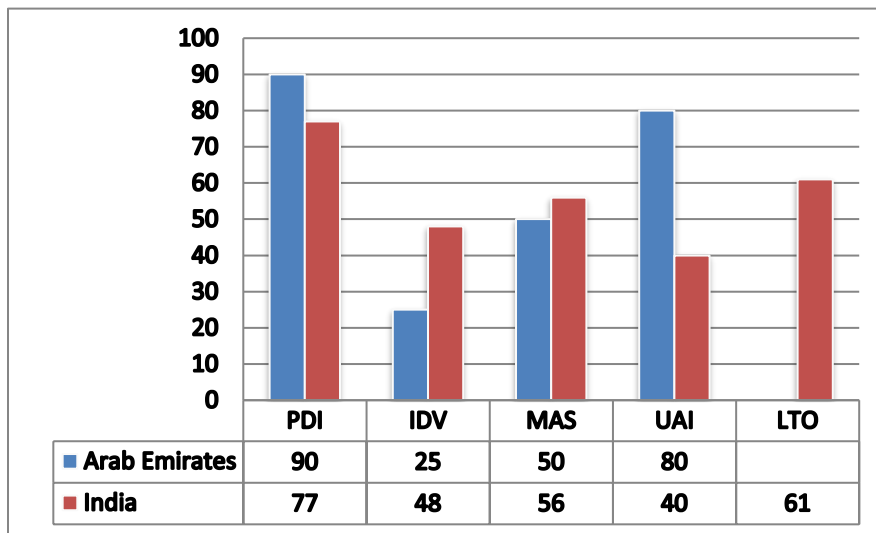
Indian judiciary system is extremely strong and fair in its working. Even the big local companies are not spared in any way and every decision is taken as per the constitutional laws of India. Therefore, the Indian government ensures that all the contractual obligations and rights of any foreign company operating within India are successfully met which is not only important for economic terms but more importantly from a global standpoint. Moreover, it is the primary responsibility of the Indian government to provide protection to the property of foreign companies operating within India. Foreign companies coming to Asian region, particularly the South-east Asia, are perceived of to be lower in terms of legal implementation. However, this may not be true in India's case and in spite of strong government influence in how the businesses operate; judiciary is an independent body in India (Samovar, Porter, & McDaniel, 2009). Lately, there have been cases of corruption in Indian Premier League or in Sanjay Dutt (a famous Indian celebrity), in either case the legal authorities and judiciary operated in isolation and as per the local laws of India. Conclusively, while undoubtedly ABC should be aware of the greater government influence as compared to other parts of the world, at the same time an independent judiciary shall guarantee them their due rights and obligations

Another important aspect of legal framework is that of conflict resolution. Conflicts are a regular feature of business environment today and it is imperative to develop a conflict resolution framework. Conflict resolution depends a great deal on the culture of the country. India is a collectivist culture and therefore conflict resolution approach is such where amicable solutions are met. In most of the cases, there is mediation technique as an alternative-dispute resolution process whereby the concerned parties put forward their concerns and the authorities look to mediate and reach a solution that result in a win-win situation for both the sides (Campbell, 2007).

From ABC's standpoint, it would be important to set up a legal department that should work in collaboration with an Indian legal consultancy firm. This would allow the company to better understand the legal dynamics and fully comprehend the local laws, which shall ensure that no legal discrepancies arise as the business moves into India.

### **Cultural Risk**

Cultural factors tend to play a major role in where the organization heads to in the long run. It is believed that cultural proximity can benefit the business a great deal, while a distant culture could have several negative consequences that may have a great significance in the business's overall success or failure. In this regard, Hofstede's cultural study is the most widely used scale for determining and studying different cultures. From the scores that have been extracted for India and the Arab Emirates, it is evident that people in India are a lot more achievement oriented than their Arab counterparts. It is therefore expected that the Indian staff would devote themselves a lot more as against the workforce operating in Dubai, which could play an important role in serving the strong Indian market.



The management style would differ a little and this might pose a problem to the company (Bhasin, 2011). First and foremost, as seen from the power distance score, India is low on PDI as compared

to Arab, which means that the management would need to focus more on empowerment and employee growth. Lately, India has changed in terms of its management style and with younger managers coming up the organizational hierarchy, the focus has been towards a democratic management style where all the decisions are taken with consensus and are directed towards the growth of the organization. Contrary to this, it is very much possible that the management style in Arab is more centralized where organizational growth takes the front seat and employee growth does not go in parallel. Moreover, Arab countries are more collectivist in nature, whereas Indian economy with greater competition and opportunities is moving towards a more individualistic one than what it was before, though it still remains collectivist largely (Choure, 2004). As a result of this, it is expected that the Indian management would want to get things done a lot quicker than the Arab counterparts, which could lead to difference in opinion, thus hampering the overall organizational growth in the larger context. Also, the time orientation would play an important role. Indians are from mid-to-long term oriented, therefore it would be important to develop strategic plans for the Indian venture.

Talking more of the cultural risks that the company might have to face while operating in India, communication could also be one of them. People in India would generally prefer to communicate in English or their native language, which can be a problem for a manager deputed in Dubai (Bhagwati & Panagariya, 2012). Communication is considered to be an integral part of the organizational culture in contemporary times and therefore it is imperative that organizations must work towards fostering an environment where sound communication practices are ensured. Unless the organizational objective or the goal is not well outlined, chances are that the message may get distorted; resulting in an efficient series of strategies that adversely impacts the organizational growth. Also, any conflict situation that may arise is best handled when there is a strong communication culture at work. The parties may present their point of views and with a proper conflict resolution approach in place, they may move towards a win-win situation, which shall boost the organizational efficiency.

Similarly, the HR practices would differ from region to region and policies such as appraisals or compensation management would require an in-depth cultural study from the higher management in Dubai (Panagariya, 2008). Lastly, traditionally Indian is considered to be a particularistic country where there are chances of high nepotism and corruption, therefore the management would have to be extremely efficient when it comes to the monitoring the Indian operations. Moreover, this would lead to ethical issues and hence with greater awareness on the subject such as environmental friendly and CSR, ABC Company's Indian operations would have to be extremely careful in devising its policies in this regard.

In the cultural context, India holds a famous example of McDonalds. In the early stages of its introduction in India, McDonalds first introduced beef burger in India, however realizing the cultural differences and cow being a sacred animal in Hindu culture, McDonalds had to come up

with new offerings, which were more in line with what the people in India would appreciate. A similar situation may arise for ABC therefore to account for such factors would be critical.

## **Currency Risk**

Since the financial liberalization policies that were put in effect in the early 1990s, Indian foreign exchange markets (FX Market) has grown tremendously. Today, there is considerable trading in both local and foreign currencies in the derivatives market, whereby companies look to minimize their risks with several hedging options that are available (OECD, Economic Policy Reforms 2013 Going for Growth: Going for Growth, 2013). According to the latest reported numbers, India's FX reserves have gone down by \$2.06 billion and stands at \$294.30 billion. The foreign currency assets (FCA) for India constitutes for about \$263.72 billion. Similarly, gold reserves faced a downward trend in reflection of the global hit that the gold prices faced and according to the Reserve Bank of India (RBI), gold reserves are about \$24 billion.

India, predominantly speaking depends a lot on its financial markets to ensure that the company is able to hold enough reserves that would mean that the big companies operating within India are not at any kind of risk of such severity that it might have to file for bankruptcy. Although Indian currency is a lot more stable as compared to other countries in the region such as Pakistan or Bangladesh, slow economic growth would mean that in order to finance its deficit the government might have to print additional notes which would mean greater inflation and devaluation of currency.

Talking of the volatility of Indian currency in general, reports suggest that in 2012, Indian rupee swung with deviations as much as 18%. Having said that, currently India is stable in its currency performance and indicators are such that it shall grow stronger with time. The main focus that



Indian government has is to encourage exports in exchange for foreign reserves. Furthermore, due to excessive trading in USD, high volatility is expected each second, hence the currency market is termed as the most volatile markets in the world. A strong FX number would suggest the stability of the economy and indicate a positive sign for the health of banks operating within India (Machiraju, 2007).

Experts believe that the FX market of India would continue to grow and would provide greater stability as the company gains expertise and increase its exports. Moreover, following practices are likely to boost the FX reserves for India;

- Greater activities in the financial markets with regards to derivatives and hedging. Companies that are regularly importing their raw materials from other parts of the world know the importance of even the slightest of fluctuations that they might have to face.
- The FX market is continuously striving to offer new products to customers which would not only mean attracting funds in foreign currencies but also providing great support to the economic growth of the country.
- The banking operations have become a lot more efficient in both operational and transactional terms. Although acquiring loans would not be easy, but there are various other products that the banks have to offer to mitigate currency risks in the long run.

ABC Company must critically evaluate the level of volatility that it shall have with the Indian currency (Levi, 2006). The finance department must look to enter into contracts that shall minimize exposure in response to any currency fluctuations, which in big deals could significantly impact the company's cash flows. Moreover, it is recommended that ABC should look to develop value chain networks with local suppliers in India, for two major reasons;

- Lower exposure to any currency fluctuations that might happen. In case where the raw materials are purchased from foreign companies there would be significant FX risk exposure that could create pricing problems for the company.
- Value chain network shall play an important role in determining the success of the business and at the same time could well be a source of effective marketing for the business.

However, on a broader perspective, the impact currency fluctuations would depend on the strategy that ABC Company adopts with regards to their production facilities. For instance, if most of the raw materials would be imported, then currency hedging must be done.

## **Recommendations for Business Risks**

Drawing risk mitigating policies is considered to be of utmost importance to the success of the business. How well a company's management is able to come up with solutions and strategies that would best address these potential risks is a challenging task in itself and would have a significant role to play in how ABC shapes up its future in India. In this regard, following recommendations could be best used;

1. In order to satisfy the economic risks that the company may face in India, it is imperative to study the Indian market well. To do this, the market should be evaluated along the lines of potential growth that the region has, the strength of technological market in India in general and the policies that the government of India may institutionalize for foreign companies.

2. It would be important to evaluate the key economic indicators on a regular basis whereby a connection should be built with the official numbers reported. Moreover, the population trends should also be evaluated through which the company would be able to best serve the market. Giving customers what they want is the key to successful business and therefore the growing tech savvy youth should be ABC's primary target.
3. In addition the company should also account for the inflationary pressure that the Indian market may face. This should be directly linked with the growth of the technological market in India. If the growth is as much as the inflationary pressure, it might be sustainable for the company, however ideally speaking the growth must outplay inflation for the company to perform efficiently. Also, remaining cost efficient would very important for ABC, for which adjusting numbers for inflation would give a better and holistic picture to the company's management.
4. The company must have a clear communication culture. If the communication culture is not completely clear to all the stakeholders in India, this would raise serious management issues. It must be kept in mind that the two areas would be well apart in geographical terms as well, therefore the role of effective communication becomes all the more important. Great collaboration and regular meetings must take place to ensure that everybody is on the same wavelength. With greater proliferation of internet globally, the company should set up an internal server which should connect both the regions and information sharing should be made as transparent as possible. Apart from this, there should be regular teleconferencing sessions between the Indian and the Dubai management, where company policies, strategic goals and how to deal with an unforeseen situation should be debated over.

5. Currency risk would require concrete financial analysis of the economic situation prevalent within the country. In this regard, risk hedging activities can be used such as Forwards or Futures contract whereby the rate of exchange could be fixed. Fixing the rate of exchange would allow ABC to minimize the losses due to exchange rate risk. Currency fluctuations tend to have a considerable impact on the company's financial numbers hence the company must work in collaboration with local financial institutions in order to gauge the currency movement trends which are likely to take place.
6. A separate legal department must be set up in India. Laws differ from region to region whereby different set of laws are to be implemented according to the local regulatory settings. Moreover, reporting of accounting numbers as per the standards and laws would be of great importance. One of the biggest problems that organizations all around the world have faced is the lack of implementation of laws completely, particularly in an attempt to make the best use of Tax shield. Other than that, the legal department would advise the company better on any matters pertinent to the legal framework of India.
7. Local marketing strategies should be developed. Many global companies believe that a uniform marketing campaign may work all around the world. However, companies should have a marketing campaign that builds a close link with the local environment. ABC must remember that it shall have to compete directly with the local companies therefore building a rapport with the local would be of great importance for the company. Also this would help company build close supply chain relationships which would help ABC strengthen its presence in India and the value chain network.
8. The development of strategies should be localized as well. Like marketing campaign, a uniform strategy may not work fully and therefore experts believe that the understanding

and marketing dynamics of another country is critical to build strong strategies that shall yield best results for the company and help in developing a strong hold in India. When there are many industrial players, it is believed that *cost leadership* or *differentiation* strategy should be used. ABC in its early stages must differentiate so that the company's presence may be felt by the local community.

9. The company must choose the production location wisely and study the relevant factors such as availability of resources, infrastructure, abundance of skilled workers, and so on. These factors would have a vital say in shaping the future of the company and because in early stages of the business, cash flows are very important to offset the investments made upfront, businesses must be certain of where they are investing.
10. Winning customer support would be of utmost importance and is one the most effective ways to survive in a competitive business environment. Seeking regular feedbacks from customers would be important to assess how well the product is catering to the customer needs and what improvements/modifications need to be made to further strengthen the company's market presence.

## Marketing Campaign

Whenever a company makes global expansion and decides to enter new markets, building close relationships with the target market is of great importance. Essentially marketing is not only about addressing what the customers want but more importantly it is the ability to create that need for your product. As a result of this, marketing tends to have a major say in a business's success and ABC Company must devise strong marketing strategies to perform well in the Indian market. In this regard, the most important aspect would be to study the market itself. In this study, following factors should be evaluated;

- What is current composition of market and how well does the product offering suit the customs and trends existing in the market. This would involve conducting an industry analysis and evaluating other industry players about their pricing, product offerings, sales services and value chain network.
- An in-depth analysis into the demographics and industry dynamics. For this both past trends should be studied, but more importantly the future expectations should be taken into account (Mukherjee & Patel, 2005). For instance, any technological product is likely to be experimented by the younger generation first; hence a suitable measure would be to understand the market composition in terms of age groups. For this purpose, both an independent research carried by the company on its own together with data from local authorities be extracted.
- In the early stages, ABC should identify its target markets and must focus on a niche to begin with and depending upon the response that it secures, then only should it look to expand across the country.

Once the market study has been done and the management has prepared a detailed report of all the potential factors impacting the market, both in the short run as well as in the long run, and have analyzed all the relevant findings, the next stage would be to draw a marketing strategy which assures a strong presence for the company. For this, the following path should be taken;

- Understanding the general marketing media which are used in India and their effectiveness in relation to the products being offered. Choosing the correct medium is of great importance otherwise your message may not get across to the target/intended market. An example could be an ad for a car manufacturing company in a fashion magazine.
- Evaluate the relative costs and benefits of the marketing medium that can be used. The focus is to reach the maximum number of consumers (minimizing cost per customer in terms of marketing) and yielding maximum return on it.
- ABC Company should use both electronic as well as print media. It should be kept in mind that India's electronic media is perceived to be extremely strong and would allow the company to reach a large customer base. However, print media plays an equally important role as a much broader message could be forwarded to the customers. Adding to this, ABC would also have to pay close attention to marketing via radio channels. Indian market is extremely fond of music and shows that are aired on radio hence there is a 24/7 presence on different radio stations. This could be extremely effective and would cost lower than the traditional TV advertising.
- Marketing campaign depends a lot on the language and communication style that is used. If the product is for youth, the ad must be vibrant enough to catch their attention and an image for ABC brand be embedded in their mind. In this regard, online advertising on

social network sites could be extremely useful. Online advertising is considered to be one of the cheapest marketing tools that companies are making excessive use of. Through this the campaign may be targeted to a wide customer base simultaneously and would not only remain to the Indian market only. Thus, with online advertising campaign, ABC Company may target other regional markets such as Bangladesh and Pakistan that share cultural proximity with India.

- The marketing campaign should be such whereby customers can relate themselves to the product being offered. India is a country which has several languages and it would be in the best interest of ABC to target the market in their local language. In this way, a foreign company such as ABC can best build their relationships with the customers.
- The choice of content used in the marketing campaign should be extremely powerful. By this, it is meant that words such as ‘complete solution’ or ‘serving you’ should be included in the marketing campaign. Focus should be on having a ‘you attitude’ approach in the marketing strategy.
- Offering quality products and after sales service should be advertised. This would lead to a loyal customer base and countries like India depend a lot on opinion leaders or positive word of mouth marketing. Locking in customers or attracting customers from other competing brands within the industry would require building strong relationships with the customers, hence after sales service could be a source of competitive in the long run. Therefore, this should be one of the prime focuses of the company.
- The growing usage of internet all around the world and people understanding the uniqueness of online marketing in India would mean that the company should set up a website and a customer feedback page. In its early days this could of great help for ABC



whereby the company would be able to seek critical feedback and make the necessary improvements/adjustments. Moreover, through a well managed website the company would be able to introduce its new product offerings, which would mean that the products are marketed with greater efficiency.

- Another effective marketing medium could be to set up stalls in big malls for ABC's products where a large traffic is attracted on daily basis and demonstrations could be done of the product features that are to be offered. Indian people usually prefer to test and try whatever they are purchasing so a live demonstration of the products could help ABC in the initiation stage.
- The distribution channel would also be very important. If the company decides to open its own outlets, sell it directly through the production facilities to the customers or go via retailers. If it opts for the third option, that is to sell its products through retailers, strong relationships with retailers would have to be ensured whereby they can recommend ABC's products to their customers. It would be most suitable for the company to either open up its own outlet or rent a certain section in any big retail chain with its own sales staff guiding the customers on different products that the company is offering.
- Once ABC has established itself within the Indian market, it must include the concept of relationship marketing in its approach. Customized marketing service is a major positive that companies are moving towards nowadays, therefore ABC should also identify a strong customer base and divide its customers into segments, after which relationship marketing in terms of product offerings and services may be used. This relationship marketing could become a source of competitive advantage in the long run and it should

be kept in mind that such strong bonds with the customers eventually lead to positive word of mouth marketing.

Building close relationships with suppliers would also play an important role. There should be particular emphasis on building good relations with suppliers in order to ensure that the organizational efficiency is maintained at all times. Apart from these, the focus should be on pamphlets and brochures. Furthermore, regular feedback from customers is also very important and gives out a positive message that the company values its customers greatly and wants to incorporate their relevant feedback into their product and market development procedures.

Also, through a feedback mechanism, ABC would be able to evaluate and devise its future strategies which would be vital in the early stages of the business. Since it will be a new market, understanding the intricacies of market could be a tough challenge, therefore regular communication with customers be ensured and the results of which must be included in preparing company's future objectives with regards to its presence in India. It should be kept in mind that India is not considered to be a rich country and most of its population are in the middle income group therefore there may be chances of less brand loyalty and if customers feel disconnected with the brand, they may switch to other brands, both those which are competing on price and others on customer service.

All in all, marketing campaign would be critical to the business's success at all stages, however, in the early days of the business it tends to have a greater say for the market is still to be developed. ABC Company should evaluate the available resources and hire a local marketing firm to develop ads and campaigns that best address to the needs and aspirations of the local community. It is rightly said that local marketing channels better understand and with certain

cultural differences that exist between India and Arab Emirates, great care must be exercised that the organization keeps its core values intact and at the same time is able to serve the local market as well.

## **Production and Value Chain Network**

Production facilities would also play an important role in guiding ABC to a successful position in the technological industry. Setting up of the production facilities should be decided after careful evaluation into different factors such as the infrastructure, availability of resources, proximity to the market, supply chain network, and other factors that tend to have an important say in how efficiently the production functions may be handled.

First and foremost, evaluate the target market well. It would not be possible to cater to the entire country in the initial stages; therefore market evaluation should be from where the management of ABC Company must start. Bengaluru is considered to be the technological hub of India and this could be one of the prime locations where the company may set up its production facilities (Mazumdar, 2012). Most of academic institutes and training centers have been set up in Bengaluru therefore the availability of skilled labor would be easy to find in this region. Furthermore, the literacy rate here is on the higher side, hence there would be high demand for technological products that ABC would have to offer to its customer base.

Second on the list of considerations would be the availability of infrastructure. Bengaluru is one of the more developed cities of India, so there would not be any infrastructural difficulties that the company would need to come to terms with. There are well developed roads linking to other

cities and the local authorities encourage the setting up of technology oriented companies in the region which shall stimulate the state's growth.

Since, Bengaluru is perceived of as the major technological market in India, it would be easy to locate the suppliers. Supply chain is a very important aspect in contemporary businesses and having a strong supply chain relationship is often a source of competitive advantage. Businesses can better trust the quality of materials that are provided to them and a strong value chain network could well contribute to the marketing component of the company.

In addition to the marketing and production, distribution is also important. One of the factors that ABC must consider is how to reach the customers. Ideally speaking, it should rent a section in the big retail stores as the basic target market for a technological good is usually the top tier educated segment. Demonstrations should be done and technological experts to which the local people may look up to should be deployed who can best explain the product features to the potential customers. To further enhance the customer experience after sales service should be offered. Indian market is one that is driven by relationships and if ABC is able to build a close rapport with the target market, it would become a lot easier for the brand to expand to the other parts of the country and have a loyal customer base. Depending on the financial stability of the company, discount offers could also be extended to win customer support and increase revenues.

## Conclusion

After having gone through the Asian market in general, the different risks associated to operating in India, and Marketing of the products, it may be concluded that India presents a lucrative opportunity to foreign businesses. First and foremost, India is one the most rapidly growing countries both in terms of population as well as from an economic standpoint. Indian government has become a lot more liberal in terms of accepting foreign companies to enter the Indian market which shall result in FDI coming to India and the economic and financial base of the country would strengthen, while at the same time this would result in employment opportunities for the locals.

However, it would be in the best interest of the organization to account for the following factors which shall directly impact to the functioning of the business;

- Cultural differences in terms of management style and communication practices between India and Arab Emirates.
- Take the services of a legal consultancy firm to understand the legal framework of India and Bengaluru in particular.
- Must fully understand the market and divide it into segments based on demographics, geographical location or income groups. This would allow ABC Company to be a lot more focused in their product and service offerings.
- Minimize foreign currency risk exposure and speculate the currency movement trends.
- Focus on a marketing campaign that looks to build trust and relationship with the customers.

- Understand the political intricacies and their relative impact on the performance of foreign businesses in India. This would be particularly important as this has a direct link with the business environment for any company operating in India.

Once all these factors are accounted for, it is very much likely that ABC Company would be able to fair well in the Indian market. However, the management in Dubai must be aware of these concerns that the business may encounter and therefore should give enough time to the Indian management before it can actually deliver the desired results. The bottom line remains that India is a profitable market and ABC Company must look to explore the several opportunities that are in store for them.

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