

PREFACE

The dawn of the new century has brought India to the economic forefront in the global economy, with an increased awareness of the opportunity that India presents to the rest of the world. The Indian economy has been growing at a frenetic pace of over 7% in this new century, second only to China. The largest democracy in the world, with a population of over one billion and the largest English speaking population outside of the Western hemisphere, India is an attractive destination for business and leisure. People all over the world are eager to know more about India and its growth story.

Even though I have been in the United States since the early 1990s, and am now a US citizen, I too have been curiously studying the breakthrough developments in India over the last decade. It is important to understand that although India has a very old civilization, it is a relatively young nation. India obtained its independence from the British rule in 1947 and so is just over 60 years old (or young). From 1947 to 1990, India adopted a strong form of socialistic democracy and relied heavily on a planned economy based on the Soviet model. During this period, often called the “License Raj,” almost everything was tightly and centrally controlled. Planned development was focused on fixing the state of the battered economy and improving agriculture — or at least that is where India showed a lot of progress. Though a number of institutions of higher education (particularly in science, engineering, and management) were established during this period, it was not uncommon for the majority of the graduating class of these institutions to head abroad to seek better opportunities. This was called the “brain drain.” I still remember a comment from a senior member of our faculty at the Indian Institute of Technology (IIT, my alma mater) that “brain drain” was far superior to having the “brain in the drain,” for that is how the elite viewed the state of the Indian economy then. However, the treatment of the water in this drain had already begun, and it would soon become purified enough to attract the

attention of businesses worldwide, creating an oasis of opportunity within just a few decades.

As I witnessed the revival of the state of the Indian economy in the middle and late 1990s, I got the feeling that this was a different country altogether from the one in which I had grown up. Since the beginning of this new century, I have been researching India's development closely. My investigations started with discussions with friends and relatives. I followed the news and read articles about the Indian economy. Then, four years ago, I decided to develop an MBA course on "Doing Business in India" at the Kenan-Flagler Business School, University of North Carolina at Chapel Hill. This course would take me every year for a fortnight to India and give me an opportunity to observe the top firms operating in India from close quarters.

Over the last two years, my knowledge of India has increased manifold as I have benefited from opportunities to conduct research, consult and interact with CEOs and top managers from firms in India, listen to and discuss government policies with leading bureaucrats and ministers, and present my opinion on India's economic future at global events. Seeking more information on the 'India story,' I read a wide range of recent books on India written by entrepreneurs, academics, travelers, politicians, and journalists, which covered a wide variety of topics related to Indian culture, politics, natural beauty, socioeconomic issues, and outsourcing to India, among others. Although many of these books had interesting dimensions, they were far from what I was looking for — a book that could provide a balanced perspective about the Indian economic growth story; a book that went beyond anecdotal evidence; a book that was not trying to sell something about India, whether tourism, offshoring, or corruption (or the lack thereof); a book that was based on solid research and the experience of individuals who had interacted extensively with businesses in India; a book that could be recommended to my Western and Indian friends alike, colleagues and professors at other universities, managers at multinational firms, and any individuals who might be interested in learning about the Indian business economy's success story, the challenges and opportunities that it faces going forward, and how they could benefit from it. This has led me to create the current book. Although this book is about India and Indian firms, I believe, many of the case examples and success stories can be adopted in other parts of the world as well.

Indian Economic Superpower: Fiction or Future?

This book has three differentiating features.

- First, this book is highly focused. Centered mostly on India's businesses and economy, this book deals little with the much-publicized ancient history of India, its culture, spiritual heritage, caste system, or natural beauty.

- Second, this book has a unique style, one not traditionally found in business books. It is an *integrated collection* of thoughts and ideas from some of the most experienced experts on India. When I decided to create this book, I had the option either to write it all by myself, or to collaborate with a selective group of experts. Although the former would have been easier in terms of execution, I followed the latter approach to create a detailed account of opportunities and predictions across a selected set of vertical sectors. In my opinion, this gives the content of the book more research depth and greater brainpower. Collectively, these experts have had several decades of experience both in working with and in researching Indian firms. The contributors for this book come from a variety of outstanding organizations, including the University of Michigan, New York University, Purdue University, the University of Texas at Austin, the University of North Carolina, the Indian Institute of Management, Deloitte Consulting, and Brickwork India.
- Third, the organization of the book as modular chapters allows readers to selectively focus on the industries in which they are most interested. Each of these chapters, which cover different sectors of the Indian economy, begins with a brief review of what has happened in that sector in India in the last 20 years. This is followed by a discussion of current opportunities and challenges. Finally, the authors discuss what needs to be done in the sector in the upcoming years. Contributors to this book have all tried their very best to provide a balanced perspective of the challenges and opportunities India has faced, and continues to face, in these areas.

This book consists of 11 chapters. The first chapter on “Sea Change” highlights factors that have led to the rapid economic development in India over the last two decades. These changes are both significant and radical, and they have provided much momentum to the Indian business economy. Chapters 2–7 provide accounts of the vertical sectors of outsourcing, software, manufacturing, land and aviation logistics, and healthcare. Each of these chapters starts with a description of the history of the sector along with characteristics that are unique to India, then goes on to describe the current and future trends in that sector in India. Chapter 8 provides specific advice and caveats for firms that are seeking to leverage Indian product and service markets for cost reduction or for growth in revenue or market share. Chapters 9 and 10 then offer concluding discussions on the challenges faced by India as it tries to attain the status of a world economic superpower, along with projections regarding what multinationals can expect from India in the upcoming decades. In Chapter 11, I provide a brief analysis of the impact of the recent global financial crisis. Before each chapter, written by other authors (Chapters 2 to 8), I have provided a brief summary of the content, linking the chapter to the overall perspective of the Indian economy, so that readers wanting to skip a chapter can quickly get an overview of the issues and challenges in that sector, maintaining continuity as they move on.

Although this book covers a number of crucial sectors, other important sectors such as retail, finance, insurance, power, real estate, and agriculture are not addressed in detail, in some cases because the sectors are still regulated (some partially). Hopefully, the brief discussions that I provide in Chapter 10 on some of these sectors will be insightful to the reader. Despite this limitation, I hope that this humble attempt on my part (with the collaboration of the contributors) to provide an informed perspective will be of value to any individual or organization interested in better understanding and benefiting from the Indian economic growth story.

Cutting edge research of this nature cannot take place in an academic environment without active support from the business school. I am thankful to Dean Steve Jones, Senior Associate Deans Doug Shackelford and Jim Dean for their continued interest and support of this project. I wish to thank the Kenan Institute of Private Enterprises for supporting part of my research related to this project. The Center for International Business Education and Research (CIBER) at the Kenan-Flagler Business School funded several MBA students for their trip to India in 2004 when the global immersion course on Doing Business in India was first started. This enabled to jump start the course in the first year. I wish to thank Sherry Wallace, Candice Ward, Patricia Collins, Allison Reid, Emily Wilkins, and Erin Benavides for co-ordinating all logistics related issues during our visits to India which allowed me to channel my efforts towards research of these firms while we were in India. The multiple repetition of this popular course over the last four years enabled extensive research of business in India which eventually has led to this book. A selective group of over 125 business students who came with me to India over the last four years, I believe influenced this project in a big way. Their excitement, passion, and interest in understanding the nuances of doing business in India led to several interesting research questions to me which I have tried to address in this book.

The depth and perspective of research presented in this book could not have been achieved without the full support of all the contributing authors of the different chapters — Vivek Kulkarni, M.S. Krishnan, Narayan Ramasubbu, Ramnath Subramanian, Ananth Iyer, Peter Koudal, Haritha Saranga, Sridhar Seshadri, Pankaj Chandra, Nimit Jain, John Kasarda, Rambabu Venkalayapati, Ravi Anupindi, Mainik Sarkar, Sridhar Balasubramanian, and Prabhudev Konana. Many of them are world renowned experts in their areas and collectively have more than a 100 years of experience researching, managing, and educating Indian firms. I would like to thank each one of them for taking time out from their extremely busy schedules to write their respective chapters and further agreeing to a uniform format for all the chapters. Once all the chapters were submitted, it was important to create a book that flowed reasonably well. I wish to thank Vidya Mani, one of my doctoral students, who provided research support during this project as well as helped in creating a uniform organization of the different

chapters. I also wish to thank Lynn Hand for her professional editorial help in creating a uniform writing style across the different chapters of this book. The World Scientific Editor, Ms. Sandhya, was also very helpful in co-ordinating the various stages of this project and helping me with various queries in a timely fashion. In the final stages of the book, I got very useful comments from several colleagues of mine. I wish to thank Saravanan Kesavan, Ann Maruchek, Adam Merserau, Sriram Narayanan, Brian Tomlin, and Harvey Wagner for their thoughtful comments and suggestions that helped me in improving the presentation of the contents of this book.

Last, but not the least, a project of this magnitude could not have been accomplished without the support of my family. My special thanks to my wife Shanti for all the additional parenting efforts and patience that was needed from her end during the hundreds of hours of research and writing that I spent on this book. Also thanks to Aishwarya and Anand, our two kids, who despite their young age, showed a great deal of maturity in understanding and working around the time requirements this project posed on me. Without their help and support, this book would still have been a dream.

I sincerely believe that this book provides a deep and balanced perspective of the Indian economic story and hope that this in turn will answer many of the questions of the present day managers as they attempt to leverage and include India as a powerful player in the global economy of the 21st century.

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