Economic Times Website April 5, 2002

Judo as business strategy for China

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TIMES NEWS NETWORK [FRIDAY, APRIL 05, 2002 8:15:33 PM]

NEW DELHI: A Mumbai-based consulting firm has prescribed 'judo' strategy for Indian companies planning to do business with China, be it entering that market or making them partners for selling in India.

``In a judo match, a lightweight person can overcome a strong opponent by using the weight and strength of the opponent. Similarly, we have to use China's strength to India's advantage,'' said Jay Desai, CEO of Universal Consulting India, which has come out with a study that counsels small and medium sized firms on China strategy.

The study found that Indian firms which followed the strategy made significant inroads into China. ``It is a useful mindset for any company competing with a larger, better and established one,'' said Desai.

He detailed three major lessons in the study.

Lesson 1:

Make rapid movement: Move rapidly to uncontested ground to avoid head-on conflict. This can be done through internal restructuring and moving up the value chain in areas like toy, electrical equipment and bicycle manufacturing. Software companies, for instance, have slowly moved from low end staffing to IT consulting. Chinese companies are still at the lower end of the software value chain. Through this, Indian companies can move to new products that redefine the competitive space.

Lesson 2:

Have flexibility: Be flexible and give way when attacked directly by a superior force. Make them business partners for the home market. This has not only enabled entry of Chinese goods into India, but has also allowed Indian companies to tap new opportunities riding on Chinese brand in areas like pharma, leather goods, electrical components, clocks, and telephone handsets.

Importing table, pedestal and wall (TPW) fans from China, for instance, is 20 per cent cheaper. A leading manufacturer, for instance, has sold 150,000 units of Chinese TPW fans in 2000-01 and made a profit of Rs 2.8 crore. It is now importing microwave ovens.

Some telephone handset manufacturers have already gained up to 25 per cent cost advantage. Also, an Indian pharma company has entered the biotech segment to introduce two clinical care products in India this year.

Lesson 3:

Exploit and leverage: Tap China's strategic commitments and investments to your advantage. Where possible, acquire Chinese firms. China has huge global market for products like TVs, tyres, toys, clocks and leather, and is now eying software development.

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It has a strong infrastructure and needs expertise from countries like India, much the same way like companies here need to tap China. For example, Indian IT companies are increasingly setting up base in China. The Chinese have high regard for Indian software and IT training skills.

A leading Indian IT training firm is capitalising on that. In partnership with the Shanghai city government, the company has now a wholly-owned subsidiary franchising IT education to 42 centres (which includes six universities).

Another software major plans to open an offshore solution centre in Shanghai to exploit business opportunities in Taiwan and the Asia-Pacific region, not just China. In contrast, some India companies are joining hands with China's competitors. For example, Indian toy manufacturers have signed agreements with a Spanish organisation to study the problem of Indian toy makers and compete with China.