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BOTTOMLINE

A CONSULTANT'S OVERVIEW OF TACKLING CHINA

How Some Indian Cos Are Leveraging The Dragon

Our Bureaux

It isn't difficult to gush over China! Meet anyone back from a Beijing or a Shanghai and you'll hear stories of 8-lane highways, international class airports, 80-storey buildings and so on. On infrastructure parameters, Shanghai, the nation's premier city, appears 40-50 years ahead of Mumbai. China's government officials are professional and business-like. The provinces compete for your business. Scale of manufacturing is large, and increasingly of high quality and 70 per cent finds its way into exports. Even in software and education, two areas where India still has an edge, China is showing single-minded focus that will start bearing fruit in the next 5 years. Productivity of the Chinese worker is sometimes 30 per cent higher than his or her comparable Indian counterpart. Indeed, creativity is low, but execution is precise. Already, the economic divide you see in China is less sharper than in India. The list can go on.

But does the Chinese dragon have an achilles heal? It does, if a detailed analysis on Indian performers released by Universal Consulting India, is to be believed. Take the WTO. It means more transparency and more rules for China, besides lower indirect and direct subsidies, and some 25 million in additional unemployment. WTO also means pain and restructuring for China's enormous numbers of unlisted companies and the social unrest that will follow.

In this context, Universal Consulting's Jay Desai, Vinod Nair, and Shankar Rajesh have pulled out principles in 'Judo Strategy' by Yoffie and Cusumano in The Harvard Business Review to analyse moves made by succesful Indian companies. The result is a set of prescriptions for other companies to think over.

Now, judo principles involve a) rapid moves to uncontested ground to avoid head-to-head conflict, b) flexibility and giving way when attacked directly by a superior force, c) leveraging the opponents weight and strength against them. So, what judo moves have been adopted by successful Indian companies? In the context of uncontested ground and avoiding head-to-head conflict, the issue has been to employ internal restructuring and to move up the value chain. This has been possible in toys, electrical equipment, software and bicycles, but is still not very popular, considering that resultant yields aren't perceived as attractive enough. Next, in the context of flexibility and giving way to a direct attack, the success stories lie in pharma, leather, electical components, clock manuacturers, and telecon handsets. Finally, on exploiting leverages of the opponent, the successes have come in software development, software training, pharma, toys, leather, TV manufacturing, tyres, clock manufacturing, and bicycles.

And how about an action plan? For manufacturing companies, the consultant prescribes: reduction in costs, as much as possible; moving up the value chain; building strong regional presence and distribution strength in India; initiating outsourcing from China; outsourcing production from China and even acquiring Chinese companies; and if exports are the key, then building presence in China and exporting directly from there.

For service companies, the generic strategy prescribed is: large IT companies would require to move up the value chain to increase the distance between India and China and IT outsourcing and BPO could be key opportunities; IT and IT enabled service companies could consider building presence in China as a low cost delivery centre; and professional services firms could set up base in China in alliance with local companies in areas such as consulting, market research and executive search.