

# A new age

A PARADOX OF EXTREMES, INDIA IS FAST SHRUGGING OFF ITS 'OUTSOURCE' TAG TO BECOME A DYNAMIC FORCE IN THE GLOBAL BUSINESS SPHERE.



India is a land of startling contrasts. The country's booming technology seems incongruous alongside groups of children being washed with buckets of water in crowded courtyards. Brilliantly coloured saris stand in vivid relief against dingy streets. For every millionaire in India, there are a million on less than \$2 a day.

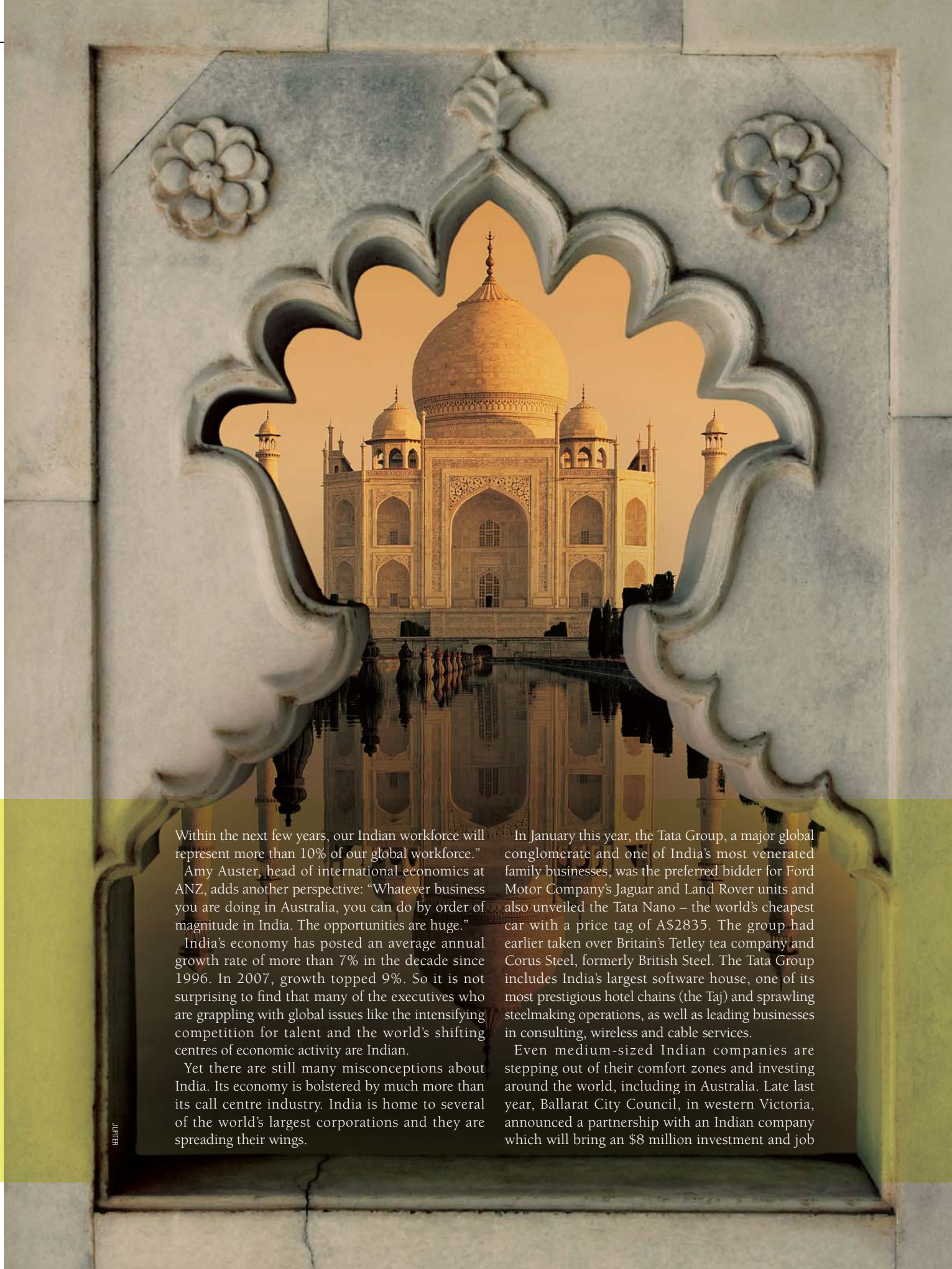
Often described as wonderfully shambolic, India's diversity of people, languages and religions hang together in remarkable and cohesive ways. And the numbers are staggering. India has 1.1 billion people. Four of the world's top 20 billionaires are Indian.

Before it abandoned its planned Soviet-style economy in the 1980s, India was the world's ninth largest economy in terms of purchasing power. Last year, it surpassed Japan to become the third largest. A recent report by the investment banking and securities firm Goldman Sachs says India could overtake the US by 2050.

Executives around the world are grappling with the organisational challenges of global trends and there is no doubt India is one of those trends – perhaps even a trendsetter.

"Up until now, India has only been looked at as a receiver of offshored and outsourced work by many Australian companies," says Shane Freeman, incoming managing director of ANZ's India operations. "It is, in fact, a source for future talent growth for our organisation.

By Jennifer Conley



Within the next few years, our Indian workforce will represent more than 10% of our global workforce."

Amy Auster, head of international economics at ANZ, adds another perspective: "Whatever business you are doing in Australia, you can do by order of magnitude in India. The opportunities are huge."

India's economy has posted an average annual growth rate of more than 7% in the decade since 1996. In 2007, growth topped 9%. So it is not surprising to find that many of the executives who are grappling with global issues like the intensifying competition for talent and the world's shifting centres of economic activity are Indian.

Yet there are still many misconceptions about India. Its economy is bolstered by much more than its call centre industry. India is home to several of the world's largest corporations and they are spreading their wings.

In January this year, the Tata Group, a major global conglomerate and one of India's most venerated family businesses, was the preferred bidder for Ford Motor Company's Jaguar and Land Rover units and also unveiled the Tata Nano – the world's cheapest car with a price tag of A\$2835. The group had earlier taken over Britain's Tetley tea company and Corus Steel, formerly British Steel. The Tata Group includes India's largest software house, one of its most prestigious hotel chains (the Taj) and sprawling steelmaking operations, as well as leading businesses in consulting, wireless and cable services.

Even medium-sized Indian companies are stepping out of their comfort zones and investing around the world, including in Australia. Late last year, Ballarat City Council, in western Victoria, announced a partnership with an Indian company which will bring an \$8 million investment and job

## THE BIGGER PICTURE

India's ICICI Bank serves close to 20 million customers and is regarded by ANZ's chief executive officer, Mike Smith, as the most efficient bank in the world.

Smith says the ICICI success is largely based on the innovative use of technology. He urges Australia and Australian companies to adopt a global perspective in doing business, to learn from innovation around the world, including in India.

ANZ has set a goal of doubling profits in five years based in large part on growing earnings from Asia. At an investor briefing in December last year, Smith said technology and offshoring would be central to ANZ's strategy.

"As nations and as businesses, we can make a decision to sit back and see others in the region succeed and passively accept the indirect benefits or we can decide to be part of Asia, part of the opportunity, and share in creating the region's success."

opportunities to the region. Indo Global Spices Limited, a public limited company based in Bangalore in South India, is setting up a specialist plant to extract oils from spices for use in food processing.

In March last year, Indian fire protection and building management systems group, Firepro Systems, took its first international step in the Asia-Pacific region when it opened its Australian operations, headquartered in Melbourne. In Western Australia, Indian businessman Pankaj Oswal has become a colourful public figure, with a \$600 million public float imminent for Burrup Fertilisers, the company Indian chemicals giant Oswal Group purchased in 2001 to manufacture fertilisers for export back to India.

Fariborz Moshirian, professor of finance at the Australian School of Business at UNSW, says India's success in exports, particularly in services exports, has significantly improved its capacity as a nation to buy foreign goods. Foreign residents report enormous change in just the past two years in terms of availability of food items and consumer goods.

And while millions live in poverty, it is estimated that around 400 million Indians now have discretionary income and Moshirian says there are 200 million Indians with incomes higher than the average Australian.

"They are good consumers," he says. "You can understand why foreign companies are seeing India as a highly attractive place to invest: English is spoken, it's a democracy, rule of law applies."

But while the country is third in terms of global share of GDP, it is 154th in the world in terms of GDP per capita. The challenges are many and great. "Education

## SNAP SHOTS

In 2007, annual growth in India topped 9% and a recent Goldman Sachs report suggests that the size of India's economy in terms of purchasing power could overtake the US by the year 2050.

There are now 200 million Indians with incomes higher than the average Australian.

Despite global turbulence, India's market has remained stable – adding further incentive for investors.

(grade five) and 70% by the time the child reaches class VII (year seven). Attendance is as low as 15%.

"It's absolutely appalling," says Bertram. "For the masses, the curriculum is sub-standard, teachers are poorly paid and trained and teaching methods are outdated."

ANZ is a corporate partner with an organisation working to improve mass education in India: the Parikrma Foundation. Parikrma is an NGO that delivers globally competitive education to socioeconomically deprived children. The OECD also recently urged Indian authorities to focus more on improving the country's "overstretched" infrastructure. In its first economic report on India, released in October 2007, the OECD said India's "high rate of economic growth is at risk if infrastructure development does not increase and keep pace with demand."

Electricity shortages are one such brake on growth. And the OECD report identifies red tape as continuing to hold

reform needs to go much further," says Moshirian. "Not every child has access to education and there is not enough accountability for teachers. Population control is another big challenge, as well as agricultural reform."

Fred Bertram, managing director, ANZ Operations Technology and Shared Services, India, believes that, despite the large graduate talent pool, India's number one problem is education of the masses, with drop-out rates close to 50% by class V



## RICH IN CONTRASTS

Perceptions	Reality
Business in India is about outsourcing to India	India is outsourcing much of its outsourcing
India is a land of poverty	Four of the world's top 20 billionaires are Indian
India is shambolic and chaotic	India is home to one of the most efficient banks in the world
India is waiting for western investment	India is investing in the world, including Australia

back business. Indian state governments need to become better organised and build on improvements made at the national level, states the report.

Economists, however, say investors are bullish about India. India's stock market has grown in sophistication, as evidenced during the credit crunch last August when the Indian market remained stable. Indians themselves are investing hugely in their own economy, many of them highly educated with successful businesses based in the US or the UK.

"There were a couple of episodes last year when the equity market was quite volatile," says Auster. "I was worried about India in that connection but it was stable in spite of everything. A lot of people took another look at India."

Auster says Australia and India are complementary economies in many ways. "Private sector participation in infrastructure is a popular model in India, just as it is in Australia." And she says Australian companies are strongly represented in infrastructure, engineering and construction projects in India, citing Macquarie Infrastructure and Leightons as two examples.

Infrastructure spending in India is growing rapidly and the spend still required is huge, adds Bertram. "New roads,

new airports; it's almost unstoppable." He also points to the opportunities afforded by India's telecommunications market where 5 million new mobile phone subscribers are added each month.

On doing business in India, Bertram stresses the importance of a company's employment brand for maintaining employees. Despite the fact that there are large numbers of talented people in India and there are queues of people at entry level, the more skilled and talented staff tend to move on.

"Industry turnover in Operations is 40% and IT is 25% to 30%," says Bertram. "At ANZ, we have avoided these problems through a strong employment brand and have achieved consistently low turnover rates."

For a long time seen as a place to outsource to cheap labour, these days India is actually outsourcing its outsourcing. Indeed, says Bertram, many large Indian companies have expanded to China, the Philippines and Eastern Europe.

It's a trend in keeping with the paradoxical nature of this intriguing country.

"Everything about India is a paradox," says Bertram. "The good and bad, the rich and poor. It's a land of extremes." ■