

# THINK CHINA AND INDIA, NOT CHINA OR INDIA

**review-interview** Patralekha Chatterjee

MOST GLOBAL CEOs are aware that the world's economic centre of gravity is shifting from the developed to the emerging economies; in particular, to China and India. And yet, very few have really grasped the magnitude and pace of change or the ground rules of the new reality. Far too many companies still spend considerable time and energy debating whether to focus on China or India.

In a captivating new book, *Getting China and India Right*, that could be seen as a warning to most *Fortune* 1000 companies, Anil K. Gupta and Haiyan Wang say the time for this debate is over. The right question to ask is how best to pursue both China and India rather than which one. Gupta and Wang grew up in India and China respectively, but have made the United States their home for the past 15 years. Anil Gupta is the Ralph J. Tysen Professor of Strategy and Organisation at the Smith School of Business at the University of Maryland, and Haiyan Wang is the managing partner of the China-India Institute.

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examples to argue that the rise of China and India is "a game-changing phenomenon" and that it is a mistake to view these countries solely from the lens of offshoring and cost-reduction. Its central thesis is as follows: China and India, with their enormous populations and rapid economic growth, are the only two countries to represent four compelling stories, all playing out at the same time. These are mega-markets for almost every product and service; platforms to dramatically reduce a company's global cost structure; potential hubs to transform a company's global technology and

innovation base, and, finally, springboards for the emergence of new fearless global competitors. Each of these is strategically crucial to the future of any global enterprise.

In an integrated economy, no country can escape being affected by the current global economic turmoil. However, among the 12 largest economies in the world, China and India are still the only economies that continue to grow in the 5-7 per cent range. "In fact, given the severe recession in every major developed economy, the current economic turmoil is enabling China and India to close the gap with the other bigger economies at a faster pace," Gupta and Wang said in an email interview to this newspaper.

"In the current period of deep recession, the arguments that we put forward in the book not only remain valid but in fact become even more central for the multinationals from developed economies. If they don't get their China and India strategies right, somebody else will and that somebody will then come and attack them in their home markets. Notwithstanding



the economic turmoil, each of these four "stories" — mega-markets, cost efficiency platforms, innovation platforms and springboards for new competitors — remains alive and well," the authors emphasised.

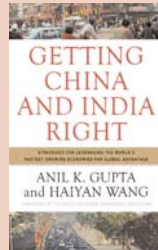
The book is best viewed as a toolkit for leveraging the world's fastest-growing economies for global advantage.

A combined "China plus India" strategy can provide a company opportu-

nities for knowledge sharing in virtually all elements of the value chain.

Two of the most important areas, identified by the authors, to make their point: First, the fact that China's economy is 12 to 15 years ahead of India's provides many companies with a significant opportunity to leverage the lessons learnt from China to fine-tune their strategies for the Indian market at a faster pace. China's personal computer industry,

for example, is almost four times that of India. Aside from size, the Chinese and the Indian PC markets do, however, have a lot in common — rapid growth, large numbers of first-time buyers, the need to not only reach customers in Tier-2 and Tier-3 smaller markets, low buying power and so on. Although the two markets are not identical, they have enough in common and business models can be



**GETTING CHINA AND INDIA RIGHT**

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shared across both markets. One of the many examples cited in the book is that of Lenovo, China's largest and the world's fourth largest personal computer manufacturer, which is trying to do this in a systematic way.

Second, there is the need for frugal designs for products; and China and India are unique among major economies, in that they are both rich and poor at the same time. Thus unless a company sells high-end niche products such as Louis Vuitton

bags, it has to necessarily come up with products, services and solutions that can be sold at very low prices while still yielding good profit margins.

Though currently, most companies are still at a very early stage in pursuing frugal innovation and in leveraging such innovations across borders, such innovation becomes even more essential in recessionary times. This is because, as the authors point out, "even in developed economies such as the United States and Europe, many customers are now ripe targets for frugal innovation". Global corporates who are already into frugal innovation include GE, Microsoft, IBM, and Dell.

The book cites Tata's Nano as a "vivid illustration of Indian companies' growing capabilities in frugal engineering: designing products and services that could be functional and yet ultra low-cost to produce and deliver." Gupta and Wang said in the interview: "MNCs will draw many important lessons from the Tata Nano case."

The primary target of the book is clearly the global CEO. But its style would attract even the lay reader interested in the engrossing stories of today's China and India.