

“Indians are full of aspirations, hungry for change and new surprises.”

Interview with Guenter Butschek |
CEO & MD | Tata Motors Limited



In February you became the CEO & MD of Tata Motors Limited and you have many years of experience with well-known European companies like Airbus or Daimler. How is it that a German is now leading the most known Indian brand?

The answer lies in the question; Tata Motors is an Indian multinational and, like the best corporates in the

world, it is committed to bringing the best of global talent to its roles. It is multi-locational, multi-market and committed to having diverse talent to ensure the best possible outcomes for all its stakeholders e.g. customers, investors, shareholders, employees (who are all also international). I believe in Tata's commitment to bring positive change in the way the business is run to enhance the lives of communities served. Therefore, I feel proud to be leading such a global brand with great heritage and to be able to leverage my passion and expertise.

Tata Motors has a cautious approach in expanding its international reach. What are the main tasks in your job?

We are currently focused on emerging markets of ASEAN, Africa and Latin America as this is synergistic to our product portfolio.

Tata Motors has consistently innovated to bring new mobility solutions to market in order to meet latent customer needs. We continue to be the largest commercial vehicle company in India, with a growing presence in the emerging markets of South & South East Asia and Africa. We aim to be a global automotive company focused on design and technology to make us one of the leading CV (Commercial vehicles) and PV (Passenger Vehicles) companies with a robust product portfolio, new platforms, power trains and technologies. We have set for ourselves challenging targets over a 3-year period, to be globally top 3 in CV and top 3 in PV in India, with a sustainable financial performance.

You mentioned customer needs. From your experience, how do you see the Indian consumer?

The Indian consumer is global in outlook and discerning in choices. Indians are full of aspirations, hungry for change and new surprises. While the behavioral pattern of each and every customer may differ, there is a strong affinity towards higher value proposition with the lowest cost of ownership.

With an open market as India, there are a lot of options for the consumer and therefore it is very important to know them really well. We, in the automotive industry, are particularly cognizant about this fact and continuously strive to tailor our product offerings.

Indian customers are hungry for new surprises and many say India itself is surely full of new daily surprises. How is your life in India?

India is full of energy, colors and great people. The culture is so accommodating that every new addition to the Indian family gets quickly assimilated. My new home is in Mumbai, and I have already started “breathing like a Mumbaikar”, as they say. With daily surprises, interesting anecdotes and amazing experiences, I am sure I can write a book sometime on India's uniqueness.

Not only the daily life in India is somehow different, also the Indian corporate culture must be different for you. What are the main differences?

Corporate life in India appears to be more hierarchical in nature, with less cross-hierarchical communication and cross-functional teamwork. Though it might be a little early to comment, the few nuances that I could capture are related to a top down decision making approach with a culture not so conducive to new, different ways of working. There is a need for stronger focus on process implementation and rigor in execution. People intrinsically are driven by higher command, but I must admit the passion and commitment of people, which is far superior to the organizations that I have previously worked in across the globe.

While it is an emerging market, with a need for stronger process focus on the one hand, it is an exciting and dynamic one with great future opportunities for greater global impact on the other hand. It's also a country with a young population that can offer great advantages to companies and the economy. It has many contradictions making it a challenging market to deal with.

Employees in India are talented and committed to doing better, with some challenges on execution capabilities – or rather the speed of execution. The code of conduct for meetings is also a little relaxed, where I can see some room for improvement in the form of following a fixed agenda and

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effective closure of points getting discussed. It is also embracing rapid adoption of technologies and leaping many traditional behavioral patterns. All these have a huge significance for how we do business, employee behaviors, marketing plans, etc.

India's economy has recovered. The economic growth was 7.4% in 2015/16, a year where growth fell in the other BRICS countries. How do you view India's future?

India is turning the focus to entrepreneurship with big advances in start-up culture, with some hot spots already ac-

tive like the one in Bangalore city. Small innovation and incubation hubs are seeding the market with a good success rate. Particularly within the auto industry itself, early signs of competition are clearly visible in extending service offerings such as fleet taxis, fleet trucks, advanced telematics and consumer friendly apps for enhancing end customer experience, a big opportunity for possible partnership with OEM's. Challenges remain on the supporting infrastructure and fund raising capability, but these are alleviated through contribution and interest from potential venture capitalists and angel investors.

The importance of Spare Parts Management in India

Shashank Verma | Head Order Management | M+V Marketing and Sales Pvt. Ltd.

There is an old proverb: "for want of a nail, the kingdom was lost" (if you don't take care of the little things, it can lead to bigger problems) and this still holds especially true for manufacturing in India, only with proper management of spare parts can a foreign company successfully 'Make In India'. Companies often face downtime in production waiting for spare part(s) for a particular unit or machine, and this becomes a real issue when production is in full swing and further processing in the entire production line is hampered due to this single missing part, thereby resulting in inefficiency, lower production and not meeting the targets that will ensure success. All this is just because of the mismanagement of Spare Part Inventory.

Does this really mean that you need to preempt the situation and keep the inventory for all spares available for the machine? That's a lot of pieces lying about gathering dust, and who knows what you will really need; you may not have the historic data about the machine's performance and the machine may have been a customized solution. And periodic maintenance of all machines provides a health check to the machine so that it lasts long and continues to perform.

These schools of thought are correct, but when the hard reality strikes (i.e. the downtime), everyone has to not only talk about what went wrong but also run behind the purchase team to immediately source the spare in order to start the machine.

Spare parts management is a challenge for any and every industry, especially when rent and land prices are going up and ensuring storage space is a real issue. Firms have tried maintaining inventory of critical spare parts with third party logistic (3PL) partners with warehousing close to the manufacturing facility. The space rented in these 3PL warehouses depends upon the requirement for spare parts – and data on these requirements is gathered by the firm over months or years while operating a particular machine. Firms that don't have experience of the machine's performance find themselves in a similar situation once a failure occurs: In order to avoid future discomfort and insecurity of performance, firms sign up to long term warranties that include periodic maintenance from the suppliers of machine. Due to such a requirement, Multinational or Transnational Enterprises have resorted to having their maintenance and service offices close to the manufacturing units they support.

Free Trade Warehousing Zones were established to create trade related infrastructure and facilitate the import and ex-

port of goods and services with freedom to carry out trade transactions in free currency (Source: Foreign Trade Policy 2004-09). Land was allocated in the suburbs of major cities – Mumbai (Panvel), Delhi (Khurja), Chennai, etc. – with a vision of bringing the logistics infrastructure up to International standards and to address the storage requirements of the Special Economic Zones (SEZs), dealing in international trade.

Free Trade Warehousing Zones (FTWZ) came up with state of the art infrastructure which not only caters to the storage requirements of SEZs, but also helps industry deal with the issue of maintaining spare parts, for which import duties need to be paid, resulting in blocking of capital. Since it's not known which spare may be required, importing such a spare part and then paying import duty immediately on arrival at the Indian port is undesirable. Instead, with the FTWZ, international firms, or their 3PL service providers, can store the parts but not have to pay the duties for a period of 2 years.

FTWZ provides critical respite to industry, which faces the threat of the downtime, due to the non-functioning spare:

- 2 years import duty free storage within India
- Inventory imported in FTWZ remains guarded against Indian taxation system
- Inventory can still remain on the books of the International Firm
- Goods imported in FTWZ are free for International movement – they can be exported to any country or back to the origin, without paying any duty in India
- Value Addition activity (like labeling/relabeling, kitting, etc.) is allowed in the FTWZ, before exports, without applicability of local Indian taxes
- 24/7 customs clearance is allowed at the port (Panvel port), resulting in faster clearance
- 'State of the Art' infrastructure, which meets international standards
- Expenses (including Storage Charges) incurred in the FTWZ are to be paid in the Foreign Exchange
- In case goods are to be shipped to any Indian customer (within India), import duty will be applicable

But how to handle the uncertainty of spare parts, utilizing the concept of FTWZ? Spare parts can be shipped to a FTWZ and the goods can be cleared as required (after paying import duty), in case of supply to Indian customer. Due to faster clearances, downtime can be reduced to as low as one day. With the help of the concept of FTWZ, purchase initiation and long waits can be avoided as the maximum spare parts can be stored and you can keep replenishing the FTWZ stock with the consumed spares without paying import duties. Once the historic data is available, firms may plan to maintain inventory of the fast moving/required spare parts, next to their respective production unit.

USA vs. India – guidance is crucial

Convincing US companies to invest in India is at the top of the agenda for Indian Prime Minister Narendra Modi, and recent estimates by USIBC suggest US companies will invest \$ 45 billion in the next 2-3 years. Maier+Vidorno is very pleased to announce our partnership with 20/20 Management Consulting, LLC, a highly respected management consulting firm with extensive international experience supporting North American companies. We talked to William and Martin Pallante of Twenty Twenty Mgmt Consulting, LLC about the differences between India and USA.

What are the biggest cultural differences between how business is done in the USA and in India?

Like India, the United States gained its independence from Great Britain. However, whereas Indians embrace a collectivist, very family oriented culture, the US developed as an Individualistic society with personal recognition and monetary achievement as its strong motivating forces. In the States, employees are motivated by upward mobility and individual success with little long term loyalty to their employer. Rather, their loyalty is to their profession and individual



William and Martin Pallante of Twenty Twenty Mgmt Consulting, LLC

professional success which is often measured by one's position in the corporate hierarchy. Consequently, Americans are more driven to get things done, be recognized, and move to the next challenge. In contrast, in India an employee's primary loyalty is with the family not their employer.

Another differentiator between the US and India is the hierarchy mentality that exists in India wherein power lies with the boss and employees are not typically empowered. From a Western perspective, it is seen that the Indian hierarchical order is so dominant that employees will follow orders even if they believe otherwise and Indian's are seen as being reluctant to say 'no' when discussing possible solutions to a problem. The opposite is true in the US, where power is shared from the board room to the shop floor.

Lastly, Indians appear to be politer than most Americans. This can be both good and bad: good in the sense that everyone appreciates politeness, but bad in that some Indians tend to be over-polite, even to the point that graciousness and repeated 'thank you's' can become irritating and seen as non-productive.

How do companies from the USA view India?

An over-riding American preconception of India is that it is rife with bureaucracy and inefficient business systems, and dreadfully laborious decision making. The depth of this belief is typically directly dependent on the American company's

knowledge of and interaction with Indian business people. If the US enterprise is experienced with more savvy Indian businesses, they will have a very good opinion of India. If their only experience is with less sophisticated businesses or only through limited telephone conversations, their view of Indians may not be a positive one, and in fact, often is negative.

Also, many American companies do not fully appreciate the economic potential of the Indian market. While they all know the tremendous size of India's population, many do not understand that its middle class and resultant consumer base is growing at a relatively rapid pace. Nor do most understand that India has surpassed China as the fastest growing emerging market. While most Americans are reasonably aware that Indians are a well-educated, intelligent, capable people, we often suffer from misconceptions perpetuated by the U.S. media regarding India's caste system and the wide disparities between the 'haves' and the 'have nots'.

Indians are less direct in communication than Americans which can cause communication problems. That said, Indians are often more flexible than the Japanese and Chinese which is positive in many ways. American companies entering the Indian marketplace must appreciate that there are definite differences in how business is done in India and be prepared to succeed in that environment.

Which segments are the most outward-looking?

The medical industry is always outward looking. The same can be said for the electronics industry wherein obsolescence is about six months from product introduction. The auto industry is firmly engaged and is always looking to expand their market as the American one is reaching capacity given falling birth rates and increased product life. Appreciating the congestion on the streets in India and the enactment of new emissions standards, manufacturers of two and three wheeled vehicles and as well as fuel injection systems for smaller internal engines are looking to India as a major market. Construction and infrastructure related industries have been and remain highly interested in the Indian market. And, based on geo-politics as well as regional necessity, the aerospace and defense sectors are of keen interest, often driven by off-set demands.

What are the challenges US companies face in India?

Almost everything about doing business in India can be a challenge for American companies. Most companies in the US exploring doing business in India have already expanded into advanced economic regions, and they have likely targeted other emerging global business centers. Therefore, these companies understand that in order to truly be global, they must think and operate geocentrically while acting locally. Consequently, they are attuned to coping with cultural differences, but will be seriously challenged by interventionist governmental rules and regulations relating to permitting, work practices and taxation.

Practically speaking, all US companies should understand that it is critical for them to have the professional guidance of local specialists experts in all areas of business from permitting to paying taxes, to hiring and selling to invoicing and collection in order to best succeed in India.

Twenty Twenty Mgmt Consulting, LLC

20/20 Management Consulting, LLC is a full service business management advisory service with offices in Canfield, Ohio and Naples, Florida. Led by highly successful, broadly experienced international corporate executives, 20/20 is perfectly positioned to holistically analyze its clients' business, provide considered counsel, and facilitate the implementation of strategy and tactics that drive performance and success.
www.twenty20mgmt.com

Just released: A new study shows that Companies worldwide are still not tapping the full potential in India

India is already the World's 9th largest economy and likely to become 3rd largest by 2030. GDP growth is above 7% and set to stay that way with the World's largest youth population beginning to enter the job market. India is vast and complicated and many international companies find it hard to succeed; so we asked international companies what this really means for them.

1. How much potential do you see in India in the next 3-5 years?

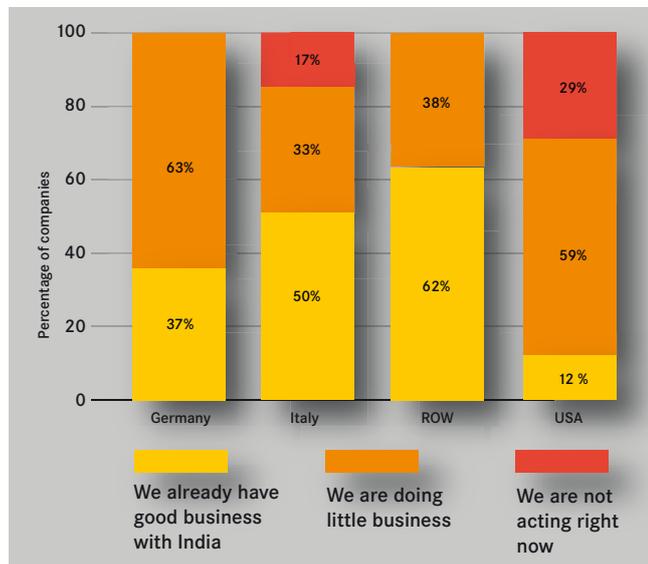
We asked international Companies based in USA, Germany, France, Italy & other nations, how they view the potential of India: 62% of companies think India has lots of potential.

2. Which industries see the most potential in India?

Agriculture, Automotive, Food, Energy & Utilities, Industrial Automation, Construction and Chemical saw the most potential. Packaging, Mining, Textile and Water Waste Water Treatment Industries saw less. German companies see most potential in the Automotive sector, whereas Italians see the most in Agriculture.

3. How active is your business in India right now?

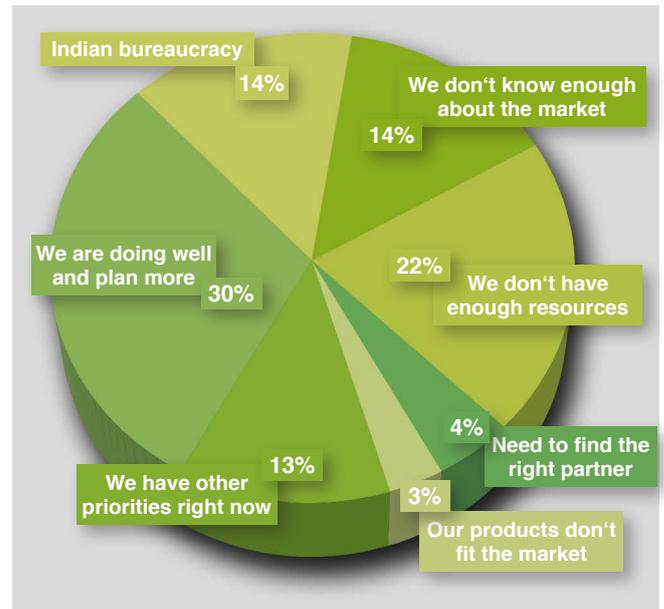
Most respondents already have some or good business in India, but still see lots of potential in the market. Most of the companies already with business in India are doing well and plan more, and they therefore see less limits for expansion than others.



4. What limits your business expansion in India?

30% of companies said that the market is fulfilling its potential and they are doing well with nothing holding them back. For others, the answers were split by nationality; more Americans

felt they needed to know more about the market or found Indian bureaucracy a barrier, while Germans and Italians were held back by current available resources or finding the right partner.



Conclusion: India holds large potential in various industries and many companies are willing to extend their presence in the country. With reducing entry and expansion barriers, India can become an even more interesting business destination. The 'real' potential of India for international companies is still very much existent.

India Day 2016

In recent years, 'India Day' has established itself as THE must-attend event for 'Doing business in India'. This year, Maier + Vidorno held the 7th India Day in Cologne together with Deutsche Bank, Koelnmesse and Luther Lawfirm. More than 150 participants were part of the event – delegates of companies that are not active in India yet as well as market professionals who are already operating in India for many years.



It's always a pleasure to have Raveesh Kumar (in the middle), Consul General of India in Frankfurt, at the India Day in Cologne

Besides information about the process of setting up a business in India, the problems companies face and how companies have succeeded in being successful, India Day 2016 also explored issues in restructuring Indian business, market expansion through M&A and adaptation of products/business models to the Indian market.

India Day 2016 was a great success and we are looking forward to seeing you all next year. Visit www.indiaday.de to check out photos of this year and updates about 2017.