# Foreign companies are attracted to india because of low labor costs

## Most foreign companies are attracted to India because of low labor costs, but it would be a better if they know more about the rest of costs.

Compared to most other countries the cost of taxes may be higher in India. Utility costs can also be higher: India imports most of its gas and oil. Electricity costs are higher and most factories and offices require backup power in the form of diesel-fired generators, batteries are more. While road and rail transportation is improving, your relative cost of transport logistics may be higher than other countries. The relative cost of real estate can seem surprisingly high in major Indian cities.

Many costs besides labor are lower in India. Medical insurance and health benefits don't drain employers as they do in the United States. Workers' compensation and other insurance is lot more affordable as a percentage of payroll.

While the labor cost in U. A. E. is not cheap, they are expensive but their efficiency makes it more cost effective. You can find cheaper labot cost in other countries but efficiency is the most important.

More than 90% of the raw materials come from different countries. And due to the recent economic slump, prices of raw materials dropped by 20% to 40%. And another thing, by producing in U. A. E., there is no export tax duty thanks to the Free Zones in the country.

There's no personal taxation in the country, the cost of living is lower and there's near-permanent sunshine. There's a great buzz and some exciting nightlife. Alcohol is available in hotels, clubs and restaurants and people can generally go about their business as they please.

Some of the benefits of setting up in the Free Zones include; 100% foreign ownership, guarantee of no taxation, no customs duties for import into free zone, flexible investment options, efficient logistics facilities for transport and distribution, and single window administrative and recruitment support.

## b) the likely future economic development of that country

India’s economy, long repressed by the heavy hand of regulation, is likely to achieve sustained growth to the degree reforms are implemented. High-technology companies will be the most dynamic agents and will lead the thriving service sector in four key urban centers-Mumbai, New Delhi, Bangalore, and Chennai. Computer software services and customized applications will continue to expand as India strengthens economic ties to key international markets. Industries such as pharmaceuticals and agro-processing also will compete globally. Numerous factors provide India a competitive advantage in the global economy. It has the largest English-speaking population in the developing world; its education system produces millions of scientific and technical personnel. India has a growing business-minded middle class eager to strengthen ties to the outside world, and the large Indian expatriate population provides strong links to key markets around the world.

Despite rapid economic growth, more than half a billion Indians will remain in dire poverty. Harnessing technology to improve agriculture will be India’s main challenge in alleviating poverty in 2015. The widening gulf between “

have" and " have-not" regions and disagreements over the pace and nature of reforms will be a source of domestic strife. Rapidly growing, poorer northern states will continue to drain resources in subsidies and social welfare benefits.

The future of economic development in U. A. E. rests largely on strategic partnership between the private and public sectors. A master plan to expand this partnership and upgrade private sectorefficiency as to play a leading role in the country's economy is the only choice to meet the economic challenges. But the sector still has serious structural problems that render it unable to compete effectively in regional and global markets. If quality production is the cornerstone for any flourishing economy, public sector productivity should be upgraded.

U. A. E. will thrive for the simple reason that it represents an oasis in a heavily populated region beset with all sorts of strife and problems. The rich as well as the upwardly mobile in third world countries need a world-class place nearby to park their money, enjoy vacations, and plan for exile.

## c) business practices

## d) business ethics

Time in India is generally flexible, even work time, and Indians are generally appreciative of punctuality although they themselves may not be punctual. Set appointments at least a month in advance and make sure to confirm it a few days prior to the commitment. Ideally, appointments should be made for late in the morning until the afternoon, with lunches preferred over dinner.

Other cultures may find that decision making in India can be a slow, thorough process that involves a lot of deliberation, so don't rush deadlines. Impatience may be construed as rude and disrespectful.

Keeping smooth, well-maintained relationships can be a crucial part of doing business in India so much so that these relationships should already be in place before negotiations can begin. It is also advisable to establish good working relationships most especially with seniors and leaders in the business. Because of the great value Indians place on respecting their elders and their tightly hierarchical organization, decisions on almost everything almost always rests with these high-ranking executives, and keeping good relationships with them increases the likelihood of smooth business transactions.

Business decisions in India are not arrived at solely on empirical data, statistics or excellent presentations. These highly spiritual people also use their intuition and faith to steer their course in decision making, so present a calm, patient presence anchored on good character and it will go a long way in creating the right business climate for successful negotiations.

Attitudes to time in the U. A. E. are much more relaxed than in many Western cultures. People and relationships are more important than schedules and punctuality. It is not uncommon, therefore, for your Emirati counterparts to arrive late but foreigners are expected to arrive on time.

It is important to have connections to someone in the U. A. E. who can introduce you before attempting to do business there on your own. Emirati people prefer to do business with those they know, so having someone to introduce you will be of

immense benefit to your business relationship.

People in the U. A. E. prefer to do business in person. Relationships and mutual trust are paramount for any successful business interaction and can only be developed through face-to-face meetings. It is important to spend time with your Emirati business counterparts and ensure future meetings take place to continue cultivating the relationship.

The Emirates are a considerably modern state in relation to the rest of the Middle East. As such, many traditional attitudes and business practices are evolving towards a more Westernised approach. Nevertheless, it is still important to be aware and respectful of some of the differences that might exist.

## CASE 3

## 3. 1) Imagine you are the marketing manager for a U. S. manufacturer of disposable diapers. Your firm is considering entering the Brazilian market. Your CEO believes the advertising message that has been effective in the United States will suffice in Brazil. Outline same possible objections to this. Your CEO also believes that the pricing decision can be delegated to local managers. Why might he be wrong?

Entering the Brazilian market is a good decision for US manufacturers. The Brazilian market is a very attractive market for diapers. As of 2010, there are around 53 million people aged 0-14 (around 8 million are 0-30months old) and around 12 million aged 65 and above. And the consumption of baby diapers from 1995-2000 increased by 18. 7% with sales up to $760 million. $24 million is from imported diapers in 2000, which mostly comes from US. Brazil is good for investors because it has a strong growth and high interest rates. US is the ¨the biggest import partner of Brazil with16. 12%.

When small inexperienced US manufacturer will try to enter the Brazil market, the competition is very tight because of the big and well established US producers that are already there, Johnson & Johnson for example already has 70% of the market, and the other 100 small and medium-sized Brazilian companies.

Standardizing the marketing advertising is not advisable because of the cultural difference between the two countries. And since the company is just starting it is advisable to consider the Brazilian market in doing the advertisement. Only experienced big and global companies can pull off similar advertisement and even still sometimes fail in it. Even in the argument of some that the countries are homogenizing, which could be seen in the use of diapers, everyone has the same use and functions in suing it, but promoting it to different countries must still be diversified. Another country might see a male person changing a baby’s diaper, for example.

Pricing decision is not suitable to be left for the local managers since the competition is tight and if it was for them they will lower the price to be able to compete and this will affect the company’s profit. At this beginning stage, having a loss in the Brazil market is not going to be good and will in the end force you to withdraw in the market.

Theodore Levitt said that the world markets are becoming more similar and that it unnecessary to localize the marketing mix

In addition, trade barriers and differences in product and technical standards also limit the ability of firms to sell a standardized product to a global market

https://www. cia. gov/library/publications/the-world-factbook/geos/br. html

## CASE 4. Procter & Gamble in Japan

## 4. 1) How would you characterize P&G's product development and marketing strategy towards Japan in 1970s and 1980s. What were the advantages of this strategy? What were the drawbacks?

During the 1970s and 1980s, P&G just introduces products from US not considering the cultural diversity between both the countries. Advantage of this strategy is that it is cheaper because you do not have to research the market that well. You just introduce the product and see how the market reacts to it. That is why at the first launch of the disposable diapers had 80% of the market maybe because it was new and innovative for them. Although the product life cycle for this is very short especially that overtime they noticed that it does not really fit their needs. That is also why at the end of 1980s their market share went down to 8 percent.

They just developed the product after noticing that it is not working in the market so they differentiated the products for the whole market. One more drawback in their strategy is they did not segment the market; they just introduced the product and expect it to work for the whole market.

According to Hollensen[1], in the product/communication mode, P&G used the straight extension wherein they introduced a standardized product with the same promotion strategy throughout the world market (one product, one message worldwide). Although in the end, when they noticed that it was not working they did the product adaptation wherein they modified the product but they still maintain the core products. In a way, they also used benchmarking, wherein they looked at the competitor's successful product and adapted it and made it better to be more competitive.

## 4. 2) How would you characterize the strategy since the early 1990s? What are the advantages of this strategy? What are the potential drawbacks?

In the 1990s, P&G started researching the market, they are aware that they must research the market first before launching any products.

According to Porter's generic strategies, they used the product differentiation strategy wherein they differentiate their products, although price is not really mentioned in this article, they might be able to charge a little bit higher price but to compete with the competitors, and they might not do this. They provide better product to supply better service to the market and also compared to their competitors.

In the marketing mix, they mostly just focus on the product, according to this article anyway, neither on the price nor the promotion.

In the 1990, they considered the dual adaptation, wherein by adapting both the product and promotion for each market the firm is adopting a totally differentiated approach.

Advantage includes knowing the market beforehand, being able to create a competitive advantage ahead of the competitors. One of the drawbacks includes the high price because of intensive research and development used to create the product.

## 4. 3) Which strategy has been more successful? Why?

The strategy that they have used after the 1990s is the one that is successful, since they already know that they need to differentiate their products before launching it to the public. They also did research and developed the product to suite the targeted market. They created a competitive advantage before the competitors. Also, the trust of the market to the brand is higher because they are more likely to satisfy them in the first try.

## 4. 4) What changes do you think P&G has had to make in its organization and company culture to implement this strategy shift?

P&G had to maybe have a research and development site in Japan to be able to understand the market better. Also not just using the straight extension strategy made them realize that the product in US or in another country does not necessarily mean that it will work in Japan. They maybe have had Japanese worker in their company as well. Since US and Japan are very diverse in making business, P&G might have made an adjustment to adapt both culture to meet halfway.

Specifically for example, in having a business in Japan, Japanese workers when hired are expect to stay in the company until they retire, on the other hand US workers are very adventurous and wants variety so they are not really expected to stay in the company especially if they are not satisfied. Japanese also wants to work as a group while Americans are more individualistic, in this case, P&G could maybe have developed teams to cater the market.

## 4. 5) What does P&G's experience teach us about the argument that consumers tastes and preferences across nations are converging and global markets are becoming more homogenous?

In this case, it clearly shows that markets are still heterogeneous and still on its way in homogenizing. If the market is really converging into becoming homogenous, the product and promotion of P&G would have worked all over the world. Although it has changed a lot compared before, the fact that they receive a big market share in the country clearly shows that the countries are moving to become homogenous. But they still have to adapt to each country and culture at the moment.

## CASE 5 Royal Dutch/Shell

## 5. 1) What were the benefits of the matrix structure at Shell? What were the drawbacks? Did the matrix structure fit the environment of the global oil and chemical industries in the 1980s?

Reporting to two bosses, which is the geographic region and London Chemical Division, in two different locations made the work of the operating company more complicate because satisfying them is a continuous consensus building since both have perspective and decisions. This made the decision making a slow and cumbersome debate. Although it is also considered a good thing because decisions made here are big decisions which are long-term that needs thorough decision making process. And since it is slow, it was only the important decisions which are made here and instead the operating company was given the minor decisions such as pricing and marketing strategy. The matrix structure used at that time fit the environment since at that time there are not so many competitors and long term decision making was seen as an advantage.

## 5. 2) What shift occurred in Shell’s operating environment in the 1990s?

The competitiveness of other big oil companies

The rapidly lowering of the price of oil by competitors by cutting overhead costs and consolidating production in efficient facilities.

The competitors start serving with smaller number of large scale refining facilities and shutting down smaller facilities, which lowered their costs as well.

## How did this shift affect the financial performance of the firm?

The firm was forced to restructure due to the emerging competitive market, the lower demand for oil, and price reduction of oil had made Shell’s profit margin a little shaky.

## What does this suggest about the fit between strategy and architecture?

The strategy of saving money to be able to lower the price of oil and increase profit margin made shell restructure their company to work more efficiently since it was clearly not working at this time.

## 5. 3) What kind of structure did Shell adopt in 1995? In what ways did the architecture of Shell's organization after 1995 differ from that before 1995?

Before the operating company has to report to two bosses, now they made a clear line between the responsibility of the head of geographic region and the chemical division in London. And the head of geographic region is working below the chemical division. The restructuring also made a clear line between the governance and executive responsibility for each level. Five main global product divisions are also made- exploration and production, oil products, chemicals, gas and coal. It made the planning and control more effective and it had removed the bureaucracy that was a burden for the business before. The restructuring of the company created a greater profit value for the company. They also cut back on their workforce which gave them lower costs. Decentralization of decision making from corporate to divisional levels and from divisional to business unit levels at the same time as giving divisions and business units full profit and loss responsibility.

## 5. 4) Comment on the fit between operating environment, strategy and organizational architecture at Shell after 1995 reorganization. Did the change lead to enhanced fit?

The restructuring made was good for the company and it could be seen because of their continues increase in profit and efficiency.

The most evident short-tem impact of the reorganization was a substantial reduction in Service

Company staffs. Towards the end of 1995, Shell began shrinking its head offices in London and

The Hague in anticipation of the introduction of the new organizational structure at the

beginning of 1996. During 1996, the downsizing of central services and administrative functions

within the Service Companies accelerated. During 1996, one of the two towers at the London

Shell Centre was sold and was converted into residential apartments.

The quest for cost reductions did not stop at the Service Companies but extended to the

operating companies as well. Between 1995 and 1997, unit costs were reduced by 17 percent in

real terms, and between 1994 and 1997, savings in procurement costs amounted to $600 million

each year. A priority for the Group was rationalization of capacity and reductions in operating

costs in its downstream business. To facilitate this, Shel sources

Robert M. Grant Organizational Restructuring within the Royal Dutch/Shell Group http://www. blackwellpublishing. com/grant/docs/07Shell. pdf