

# The Key to Success in India's Market: Trust Local People

Interviewer: Okabe Hiroshi

FROM automobiles to office machines like photocopiers and printers, and household appliances like vacuum cleaners and washers, the heart of most industrial products indispensable to modern life is made of a moving part: the motor. Igarashi Electric Works Ltd. is a specialist manufacturer of small motors and is marking its 60th anniversary. One distinct feature of this company's business strategy is its determination to confront the global market. Igarashi set up a subsidiary in Hong Kong in 1973. It launched local production in Shenzhen, China, in 1984 and in India in 1993. Panning its corporate vision constantly on the world at large, the company has now built development and production facilities in the two major economies of India and China. Igarashi Electric Works' President Igarashi Kazuharu talked to the Japan SPOTLIGHT about his company and its business strategy, particularly its pioneering spirit as one of the first Japanese companies to set up a production base in India.



## Political Risk in China Prompts Shift to India

**What is the reason behind the decision to shift to India? I thought Japanese interest in India was quite low at the time.**

**Igarashi:** At that time, China was the center of overseas production for Igarashi Electric. However, as the deadline for the return of Hong Kong to China in 1997 was approaching, we started thinking about how to avoid political risk in China. Just as we were grappling with the idea, we heard the CEO of an American trading company we had been doing business with talk about India. One point of interest to us was the fact that the Indian population is the world's largest after China. If you have a big population, the economy of your country is bound to take off sooner or later. Sure, India is now one of the economically vibrant BRIC countries (Brazil, Russia, India and China) and the pace of its growth is catching global attention. But at that time, few people in Japan gave any thought to the Indian economy.

## A Money-Eating Monster



Photo: Kyodo News

**As a pioneer among Japanese industries in setting up local production in India, the experience must have given you quite a few headaches, right?**

**Igarashi:** As a specialist manufacturer of motors, we believe we can export the products we make in India to the world market as well as sell them in the Indian market since domestic demand will expand as India develops its economy. When our India operation went online, we thought we could pull it through if we managed to get orders for 10% of our local output from companies like the major American power tool maker

Black & Decker. It was a "make in India, sell in the US" strategy. In short, exporting was the all-or-nothing key. The reality turned out to be much harsher: At that time, few Americans were familiar with the "Made in India" label, and it was difficult to find customers who would accept our Indian products. We drew up a business plan to develop the US market but there were few orders. We stepped up our marketing drive and shipped a variety of samples to show the level of our technology, but still there were few takers. In the first three years of our operation, the money we initially put into India was nibbled away by overhead costs. The situation was really severe.

**When and how did the turnaround come?**

**Igarashi:** We managed to get out of the hole when a partner of the Indian company which invested in our operation asked us whether we would like to go into the "amateur assembly" field. This is a component for motors used in automobiles, a device made of a copper wire wrapped around an iron core. As a motor manufacturer, we wanted to produce and sell a finished product, but we survived on amateur orders. About 90% of our Indian output now consists of automobile-related products, and we have orders for small motors and amateur assemblies from top-class companies such as Bosch, Magneti Marelli and ArvinaMeritor.

Photo: IGARASHI ELECTRIC WORKS LTD.



Automobile-related products are mainly produced in India

## Setting up a Separate Plant for Domestic Market

**What is your next move with regard to domestic production in India?**

**Igarashi:** Our factory is located at an export industrial zone in India, so our business is basically for export. We can only sell, under contract, a fixed percentage of our locally made products in the domestic market. However, thanks to a steady growth of our exports from India, the volume of products we can sell domestically in India has increased as well. However, my dream is the Indian market itself. I am thinking of separating one part of our present factory in the export industrial zone and turning it into a factory targeted exclusively at the domestic market. To Igarashi Electric, business in India represents an enormous opportunity. We have the most solid record of producing motors in India. If we let go of this opportunity, our rivals will come in and we will have to compete against them. As we moved into India in 1993, we enjoy a head-start advantage of more than 10 years. We want to get ready for the Indian domestic market in not so distant future.

## Only One Japanese

**What is the secret for success in doing business in India?**

**Igarashi:** When you do business overseas, you will inevitably fail if you send a large Japanese team out, with Japanese working mostly among themselves. Labor unions will spring up, disagreements will arise, and you will be hit by strikes. Even major Japanese automakers have gone through such bitter experiences in India. If you keep your Japanese work habits in your foreign operation, you are bound to fail completely. Why? Failure of communication is the reason. In our India operation, we have only one Japanese staff member there. We leave it to our Indian CEO to determine the methods for achieving our business goals. We really trust him entirely. I attend four board meetings a year in India, get reports from the board and set overall business goals. It is important that we trust our local colleagues to handle local matters. This is not limited to India but is the same in China. We also have operations in the United States and Germany, and we do not send Japanese staff there, either. The CEOs are all local hires.

**From your experience in India and China, what is the difference doing business in these two major countries?**

**Igarashi:** I do not think there is much difference when you compare India with China. In China, however, workers tend to quit their jobs often. In India, people do not often change around in their jobs. As there is little changes in the employee roster, it is OK to teach them important things. Chinese workers tend to see the amount of their paycheck as everything. In India, while pay is an important factor, workers tend to be more interested in the comfort level of their jobs. Indian

workers do tend to put a premium on a comfortable workplace, although it is different from the Japanese company spirit.

## Indian Stock Market Fall Had No Impact on Igarashi

**Just as investment in Indian stocks showed signs of a boom, foreign funds were pulled out of India, and stock prices went into a tailspin. How has this recent turmoil on the Indian stock market affected the way of doing business in India?**

**Igarashi:** The fall of stock prices in India was apparently the mirror result of the decline of US stock prices fueled by speculation on the US financial policy. Fluctuations on the stock market have had absolutely no impact on the Indian economy itself. Shares of the Igarashi subsidiary in India are traded on the Indian stock market. While Indian stock market fluctuations at one point dragged the price of Igarashi shares to half of its peak levels, our business in India is thriving and we do not feel any impact at all.

**How do you see the future of the Indian economy, particularly the automobile industry, which can be described as the foundation of Igarashi's operations in India?**

**Igarashi:** I believe the Indian economy will remain stable. The working population will increase, and living standards will improve. Bicycle users will become motorcycle riders, who will then drive automobiles. Such history repeats itself all around the world. It is not limited to automobiles; as people become more affluent, demand for electrical appliances and other modern devices will likewise increase. **J.S.**

Okabe Hiroshi is a business news editor at Kyodo News.