



Indian brands and the global market: an interview with Narayana Murthy

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Dialogue with India

Infosys was one of the first home-grown companies to place India on the global stage. It was the first to articulate, design and implement the global delivery model that became the foundation for India's successful IT outsourcing industry. It has taken only one generation for it to move from start-up to an admired global blue chip firm, and it is arguably the only major example in India of a company built around a Western-style corporate structure – it is neither a conglomerate, nor a family-owned business like so many other successful Indian companies.

At the helm for the past 30 years has been Narayana Murthy, who became Chairman Emeritus in August 2011. As Murthy steps down from his active role in Infosys, he talks about the role of entrepreneurs in India, and the future of Indian business as it looks beyond its own shores.



How has entrepreneurship and business in India evolved?

In the 1800s it was primarily small-scale entrepreneurship – mom-and-pop stores, small shops and enterprises passing on from father to son and daughter. It was really post-independence that lots of business families came to the forefront due to the so-called 'License Raj' – strict regulations that governed how businesses could be set up and run in India between 1947 and 1990 to meet the goals of a planned economy.

There were, however, a few prominent large family businesses like the Tatas, the Birlas and the Walchands in the pre-independence era too. The License Raj saw the rise of industrialists who had connections and had the patronage of the government. So, I would divide Indian entrepreneurs into three categories: first, families who started prior to our independence, primarily a few small traders; second, businesses emerging post-independence and pre-reform – these were family based organisations with considerable influence with the government; third, the businesses that flourished post-reform – these were the market-driven entrepreneurs who did not depend on patronage from the government. In the past, large family-owned companies, despite government patronage, had suffered a lot under the License Raj due to restrictions on production and remuneration among other things. Everything changed once these restrictions were removed.

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The dominance of family-owned businesses is not something unique to India. The big firms in Southeast Asia, by and large, are family-owned, though in India they may be a little more professional. South America too has its fair share of such business.

I have interacted a lot with entrepreneurs from all over the world and I do find, for example, that Chinese entrepreneurs are much more practical; they understand the power of negotiation and are not fixated on margins. Therefore, I would say that the Chinese are even more entrepreneurial than Indians. I don't see anything extraordinarily unique to the Indian entrepreneur.

My case is different, right from the beginning I was influenced to a large extent by American and European entrepreneurship, primarily the Silicon Valley model. Consequently, from day one I wanted to build an enterprise that would be run by professionals who would focus on benchmarking with the best standards of corporate governance. For me it was about professional aspirations.

Why do we find so many highly diversified conglomerates in India?

Things will need to change – India will have to move towards more specialisation. A large population base and a rapidly growing middle class with more disposable income than ever before mean that the market is becoming large enough for several players.

As we open up our markets to competition from multinationals, there will be greater need for Indian entrepreneurs to become more specialised in order to compete with specialist global companies.

What can the rest of the world learn from India in the way it develops products and services, brands them and markets them?

There are two important attributes for success in India: per-unit price of a product has to be commensurate with the low disposable income of consumers, and Indian companies need to learn to scale up rapidly to capitalise on the large consumer base.

Whether it is Unilever, ITC or the indigenous competitors to any of these firms, they all in a sense depend on these two factors. Tata's Nano is a classic example: it is a US\$2.500 car targeted at the Indian middle class. The unit price of the car had to be kept low but that means that to make money the company will have to rely on sales volume. This rapid scaling up needs to happen in a big way in this and the next decade.

How will India expand its business globally in the future?

One of the regrettable features of Indian entrepreneurs and the Indian economy is their reluctance to go global. Other than the software industry, there are very few entrepreneurs who have succeeded globally on a reasonable scale. IT did not have a market in India, and therefore had to focus on markets in the developed nations. Only about 15% of our GDP comes from exports – a very low figure compared to China at around 40%, and Mexico and Brazil at around 30%. Southeast Asia and Northeast Asia are also at a much higher rate. This shows that Indians have not been very proactive exporters, and we have a long way to go in developing our hunger for exports.

There could be multiple reasons for this: first, we have a big enough domestic market which obviates the need to go outside it; second, the international markets are difficult, since you are in foreign territory competing with large multinationals and local companies; finally, I think, the Indian mindset is too easily satisfied. Contentment is a very important part of our philosophy and

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it is something we have always heard from our mothers, and our grandmothers.

Is it easier or more difficult now to start an international Indian brand, and what would you do if you were starting again today?

It is more difficult today compared to 1981, because first of all there are higher expectations from Indian companies. In the past no one expected them to become formidable players; we were all flying under the radar.

However, there were other operational challenges: you had very little money, no current account convertibility and travelling abroad was very difficult. You couldn't open offices in foreign destinations.

Today there is a certain expectation about India, and Indian companies need to step up a notch. They have to compete with the big boys on their home ground and that is not easy. There are many more challenges today compared to yesteryear.

Which Indian brands could become the global brands of the future?

Global brands are a 'trust mark'; they are a promise of excellence that creates trust among customers, society and employees. Therefore, we have to go a long way in creating pride of ownership and trust in Brand India. Apart from the software industry, Indian companies have focused on exporting raw materials, organic, agricultural or food items like basmati rice to developed countries, or they have been focusing on markets in countries that are less developed than India, such as in Africa and certain parts of Latin America.

However, that will soon change, because in a way we have captured the imagination of people in developed nations. For the first time an Indian automobile – the Nano – has been written and talked about in books about strategy and innovation. So I think we might soon become a nation that will produce its first global brand.

At this point in time, however, I don't know if there is any global product that we have produced other than basmati rice, tea or coffee. For example, India produces so much coffee but everyone drinks Colombian coffee. In Starbucks, there are several flavours of coffee from different parts of the world, but Indian coffee is conspicuous by its absence. We have to work through this and, hopefully, led by Nano, India will indeed start producing global brands.

What are some of the things the West can learn from India?

One of the most important things that the West can learn from India is 'family values' – the way children take care of their parents and grandparents. In a sense, Indians live for others. The first born always takes care of younger siblings and ensures that they are well educated. People can come home unannounced and still be offered a hot meal. Even at the corporate level, family values play a big part in creating a culture of inclusiveness and affiliation where you have to be willing to make sacrifices, be fair in your dealings and to understand other people's point of view.

The second is patience and contentment – these are important for our physical and mental health. Finally, the affection with which we receive people from other cultures is something the West could take note of.

About the Author

[Dialogue with India](#) is a series of talks initiated by Kamini Banga where Indian leaders from business, media, politics, civil

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service, academia and entertainment share their views on challenges and opportunities facing India. Events have featured: the Indian High Commissioner to the UK; the Chairman of Shell Group in India; Harish Salve, former Solicitor General of India; Professor Harbir Singh, Wharton School, University of Pennsylvania.

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