

Capturing opportunities that China presents | Girija Prasad Pande

Pande, who built TCS's presence in Asia-Pacific, starting with China, speaks on the challenges of doing business in that country



Apex Avalon Consulting founder Girija Pande.

Singapore: After stepping down as head of **Tata Consultancy Services Ltd's (TCS)** Asia-Pacific operations last year to start a consulting firm, the most frequent question **Girija Prasad Pande** confronted was: How does one build a successful business in China?

People thought he knew the answer. After all, Pande had built TCS's presence in the region from scratch, starting with China, in a 11-year tenure at the end of which India's largest information technology (IT) company had 11,000 employees across 15 countries in the Asia-Pacific.

The frequent question he is asked has goaded him to write about his experiences in China and the lessons he drew from them. "I am co-authoring a book called *Tigers In Dragon Land*, which will help Indian companies address the challenges and capture the opportunities that China represents," said Pande, now 63.

Pande's engagement with China began in 2001 when he accepted an offer from then TCS chief executive officer **Subramaniam Ramadorai** to set up and build the company's business in the region. "I told Ramadorai that I am a user of technology, but was not so much into IT. He replied he already had lots of software people and needed business people. We began by setting up a JV (joint venture) with the Chinese government for our operations there. TCS was one of the first Indian firms to venture into China," he said.

In 2001, TCS under Pande set up TCS Asia Pacific, a Singapore-registered entity that oversees the company's businesses in the region, including mainland China, Japan, Australia and New Zealand, and the Association of South-East Asian Nations (Asean).

Contrary to popular perception that winning business in China and Asia often forces companies to bend the rules, Pande said, ethical firms did not face any disadvantages in the continent. "If you give the right signals to your sales team and put out the red lights, you can build a good ethical business. If you are known very clearly to the market that this is where you stand, as in the case of a **Tata** group company, then this debate is over," he said. "No one ever asked me for money. They knew our code of ethics."

The TCS stint only strengthened his view that China was the next big story for both Indian and other Asian businessmen. Pande explained his love for China by narrating his experiences, including one when he served as economic adviser to the mayor of Guangzhou, China's third largest city.

"The mayor used to open his office on Saturday for me to meet him because I used to spend most Fridays in Shanghai or be in Singapore," he recalled. "One day, in a passing conversation, I told him that we had about 20 Indians who were vegetarians. For the Chinese, there is no concept of vegetarianism. Six weeks later, when I met the mayor, he asked me if I had been to the Indian restaurant. He told me they had opened an Indian restaurant for us. Tell me—which state in India can do that for you?"

He also said businesses often received a red carpet welcome in China. "Two things they always asked us—how can we help you and how can we help you make money? Because they know that if we make money, they will grow, too."

Unlike India's bureaucracy, the civil service in China is not obstructionist, he said.

"Why am I bullish (on China)? It is because the rest of the world has pumped in money into that country. Every multinational firm worth its salt is in China. Just that we in India have been held back because of our mindsets—we're scared," he said.

Pande is of the view that Indian companies and executives carried the Indian headline mindset that there is a problem on the border that may

get worse. The Chinese have had border problems with every country, but they trade with them extensively in a sign of their pragmatism, he explained.

Pande cited another example—that of a Chinese friend, who was of his age and probably had gone through the 1962 border war with India. The friend pointed out to Pande that China had, since the war, experienced the cultural revolution that lasted 10 years and led to the death of some 20 million people. “The whole scale of issues is different. Nobody there remembers 1962,” he said.

Asked if the communist approach of centralized non-party based governance was helping the Chinese government promote and support businesses and also grow at a faster pace than India, Pande said every country has its own systems in place.

“The Chinese think that their system is better, but Indians think their systems are better and I cannot answer which is better. But clearly that system has delivered. In the 1980s, the gross national product (GNP) of China and India was roughly the same, but it (China’s) is four times (that of India’s) now.”

Prior to joining TCS, Pande spent two decades in the banking sector after finishing an engineering degree followed by an MBA.

He began his career with **ANZ Grindlays**, and the job took him across Asia. He set up the bank’s corporate planning unit in Beijing and also its investment banking and treasury operations in Bahrain.

“I was in charge of planning for Asia-Pacific for the bank—it gave me a good exposure to China in the mid-80s when China was just opening up. That was when my love for China started,” he said.

Pande then spent 10 years in Mumbai where he created and headed ANZ Grindlays Asset Management Co. But by the turn of the century, he was bored with banking after having done stints in all divisions from retail and investment banking to asset management and corporate banking.

Pande said he had always been a corporate entrepreneur, building businesses in the firms he had worked, but wanted to do something on his own after he left TCS in 2012.

“I set up a company called Apex Advisors. Then, my former colleague over the last 20 years, created Avlon Consulting, which is India’s largest consulting firm. We got together to build an Asia-Pacific consulting business—Apex Avalon. My view is that if India can build IT industry so successfully, there is no reason why we cannot build a consulting industry,” he said.

Edited excerpts from an interview:

What do you think are the main challenges that companies, especially those from India, face when it comes to doing business in China?

First is the mindset—Indian companies and Indian executives carry the Indian headline mindset—that there is a problem on the border which may get worse. The Chinese have had border problems with every country but they trade with them extensively and actively—witness the case of Taiwan or Vietnam. This is the extreme pragmatism of the Chinese business community. If you want to linger on to memories of the 1962 border war...then it is different. Trade between India and China is growing despite this.

Second is the understanding in that country of the role of government. It is more pervasive than India—but it is more accommodating and more enterprising than India. The government encourages businessmen in China—especially foreign investors. Third, the rapid pace of transformation in China and the competitiveness of China. It is a very competitive country and people compete on very thin margins. Fourth is talent management; 95% of the people (at TCS’s operations there) were Chinese. It has a different ethos and the companies will have to learn to be able to manage Chinese staff.

In trade, how do you see the future between India and China? According to media reports, many Chinese investments in India are being held up on account on security fears currently. Is there a security scare?

The Indian Prime Minister was in China recently. They have signed an agreement to set up manufacturing zones specifically for the Chinese companies. The Indian government has always said that they are happy with increasing trade and investments between both the countries. Whether it was the NDA (National Democratic Alliance) or UPA (United Progressive Alliance) now, they seem to have been better than businessmen, and can separate the boundary issue from the benefits that accrue to India with enhanced business and can see the benefits of integration. Indian businessmen often look more worried.

The way I look at it is, do you have an option? If you want to go global, where do you go? If you do nothing, the Chinese will come to India in

your own market. Otherwise, they will meet you in your export markets, or in your resources market. I don't think many people in India realize the scale of the Chinese market—on our border, you have a massive flywheel like economy running at 7% GDP (gross domestic product) growth rate per annum. Purely from a commercial point of view, many countries would give an arm and a leg to get a growing prosperous neighbour like that.

Think of the locational advantage that we have. Commercially, it could be seen like the US-Canada example where both benefited immensely by integrating their markets. I am imagining 2020, by when, hopefully, these political issues will get sorted out. Imagine, it could mean, say Chinese companies getting listed in India and vice versa, joint ventures in third countries for building power plants and roads, Indian IT and pharmaceutical companies going into the Chinese market and Indians building brands in China for their consumer products. There is still a long way to go, and in the last chapter of my forthcoming book on Indian companies building business in China, I talk of this as my imagination of 2020. So the potential is there for the brave, but not for the ones who keep looking at the rear window of 1962.

Where do companies want to invest? What are the trends that you are seeing?

My view is that Asian companies will invest in each other in the next five years. That is why we in Apex Avalon Consulting have set up operations in Singapore, which you know is the hub of Asia. We are increasingly seeing cross-border integration in investments. It is very clear that Indian companies want to move to Asia. At the moment, there is a lot of interest in Indonesia as it is a country similar to India and is growing at 6% per annum in GDP. It is a market where people want to be.

Wider Asean (Association of South-East Asian Nations) is another region where we are searching for acquisitions for Asian companies. This is one area of interest. The second area of interest is how to build business in China. Let me give you an example. Auto OEMs (original equipment manufacturers) when it comes to carmakers are mostly China-based. The Indian auto components industry is quite competitive—\$9 billion in exports per year. Now OEMs are asking these component makers to move to China. They have no choice and are planning to move. We are assisting such companies to go to China.

You are the chairman of the Indian Business-leaders' Roundtable (IBR) in Singapore—what exactly is the purpose of this?

The Singapore Indian Development Association (SINDA) is behind this initiative and I have been the trustee of SINDA for many years. SINDA is a charitable organization which is encouraged by the Singapore government and is the vehicle for the uplift of the Singapore Indian Community. They have a huge teaching programme for about 8,000 students of Indian origin who are not doing so well. There are two types of Singapore Indians—those who have grown up here and large numbers of professionals who have come in the last 10 years and have taken citizenship. My view is that if you are a resident of this country, you have to be involved in its issues and not just be an expat. So we got the top Indian professionals—leaders of the business communities—to come together, along with ministers, so that they all can interact and have a dialogue and understand what is happening. We integrate the newly arrived professionals into Singapore.