



# **Emergence of Indian Multinationals in Germany: An Analysis of Critical Success Factors Results of a TUHH Study**

Preliminary Results of an Empirical Survey Conducted for  
Research Project Global Innovation as a part of the Study:  
“The Emergence of Indian Multinationals: An Analysis of Critical  
Success Factor”

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## ***Emergence of Indian Multinationals in Germany: An Analysis of the Critical Success Factors:***

This report is a part of our study “The Emergence of Indian Multinationals: An Analysis of Critical Success Factors”. The study was conducted under the aegis of our “Research Project Global Innovation” at the Institute of Technology and Innovation Management at Hamburg University of Technology. The study is unique in the sense that it has collected information on the presence of nearly all Indian companies in Germany along with identifying and analyzing the critical success factors of Indian corporate investments in Germany. Furthermore this study also incorporates the gathering of the experiences and challenges of Indian companies in the Federal Republic of Germany. The present report, a preliminary draft of the survey results, describes the results of the empirical survey of the German subsidiaries of Indian firms conducted by the authors and thus constitutes an important cornerstone of the study in question. The preliminary draft is being released in order to satisfy a large and persistent demand for the survey results from many interested quarters.

### ***1. Empirical Survey of Indian Owned Subsidiaries for determining CSFs***

#### ***1.1 Research Issues***

From the above discussion it is clearly seen that there has been no research so far regarding the Critical Success Factors for Foreign Direct Investment in Germany. In line with the objectives of the present research and based on literature survey and expert interviews, the following research issues were derived.

- 1. What is the success rate of Indian firms in Germany?**
- 2. What types of initial investments made my Indian firms in Germany were successful?**
- 3. What were the market specific factors that led to a company’s success?**
- 4. What were the human resource specific factors that led to a company’s success?**
- 5. What were the operational (day-to-day) factors that led to a company’s**

success?

6. What were the customer related factors that led to a company's success?
7. What were the Strategic Factors that led to a company's success?
8. What are the various challenges that companies are still facing or have been able to overcome?

*Table 1: Research Issues<sup>1</sup>*

Although some of the research questions might be answered from the available literature, but not strictly in an Indo-German context. For the same an empirical survey was conducted among the Indian MNEs that have invested in Germany, to find out the probable answers for the research issues and most importantly to carry out the survey among the Germany based subsidiaries. Conclusions and recommendations were drawn from the results of the survey to help new firms with a motive to invest in Germany understand the 'critical success factors' from a strategic and operational point of view along with market oriented and human resource factors. This study is unique in itself as there have been no studies carried out till date in the area of 'Critical Success Factors' analysis for FDI in Germany by Indian MNEs.

## ***1.2 Research Design and Survey Methodology***

The main objective of this empirical survey is to get answers that address the research objectives and issues. In order to collect data to support the research questions a following planned approach was done along with the survey. The flow chart below explains the different steps carried out in conducting this empirical research.



*Figure 1: Survey Methodology<sup>2</sup>*

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<sup>1</sup> Self Construction

<sup>2</sup> Self Construction

An initial literature survey was carried out in order to understand the success patterns of Indian MNEs in Germany. The aim of the literature survey was to find out the firms that had failed in Germany and the ones which were still operational. Post the literature survey; research issues were formulated to understand the success factors, right from a strategic level to a day to day operational level. In order to orient the studies in a pragmatic manner, expert interviews were conducted with various agencies in Germany. Based on the feedback, a 4-page simple and clear questionnaire was developed which can address the research issues. Keeping the questionnaire as a base, a variety of techniques was used to collect data in the field. The data was analysed and recommendations were framed.

### ***1.2.1 Expert Interviews***

In order to align this study with the current pragmatic scenario and to evaluate the identified research issues, experts were interviewed and consulted before freezing the questionnaire and the research questions. In total 9 experts were consulted from different institutions which are listed in table 2 below.

<b>Serial No.</b>	<b>Organisation</b>
<b>1</b>	Elga Biotech, Hamburg, Germany
<b>2</b>	Bayern International GmbH, Munich, Germany
<b>3</b>	Deloitte & Touche, Munich, Germany
<b>4</b>	Independent Equities Group, Investment Banking, Berlin, Germany
<b>5</b>	KPMG, Frankfurt, Germany
<b>6</b>	FrankfurtRheinMain GmbH, Frankfurt, Germany ( <b>3 Experts</b> )
<b>7</b>	Indo-German Chamber of Commerce, Düsseldorf, Germany

*Table 2: Experts Interviewed for study*

Table 2 contains the list of the experts consulted and interviewed for this study. The interviews were conducted mostly on telephone and also e-mails were used as a means for discussion. While most of the discussion hovered around the current scenario of Indian firms in Germany and the strategic and operational challenges that they had faced and are also facing, the factors which also were crucial for a firm's success from an investment point of view were discussed.

The organisations the experts belong to are the ones which in majority of the cases are the first contact for an Indian firm when they decide to invest in Germany. Hence the experts are

quite familiar with the challenges that most Indian MNEs face when they invest in Germany. According to most of the experts some of the common challenges that an Indian MNE face when they invest in Germany or in the subsequent process of running their business are, differences in work culture, challenges related to language, getting work permits and visas.

### ***1.2.2 Questionnaire Design***

Based on the literature survey and the inputs received from the experts, a questionnaire was prepared to address the research issues. In order to make the questionnaire lucid and easy to interpret for the reader simple English sentences were used. The length of the questionnaire was restricted to four pages and it was made sure that the participants would require not more than 20 minutes to answer the questionnaire.

The questionnaire had 8 different sections. The first section was about the general information of the German subsidiary with a subsection for get answers from firms which were a result of M&A in Germany. The second section of the questionnaire dealt with Market factors and asked questions specific to German market. The third section dealt with Human Resource factors, while the fourth was about asking questions regarding 'day to day' i.e. Operational factors. Section five was dedicated to asking questions regarding the customer's perspective about the firm. Section six dealt with Strategic issues while the seventh section focussed on challenges that the firm has overcome and also the ones that it was facing. Section eight was an additional space that was provided to all firms to cover specific issues that might not have been covered by the questionnaire.

For a better analysis of the data of the questionnaire from the survey, most of the questions in the questionnaire were in multiple choice formats. To evaluate the opinion on certain factors, a semantic differential scale with values ranging from 1 to 5 and 1 to 6 was used. Also for a lot of questions, participants had the choice with value range instead of exact figures. It was ensured that the participant knows that the answers provided will be held confidential and anonymous.

### ***1.2.3 Composition of survey participants***

For this survey the questionnaire was sent to 183 MNEs. Out of this 20 questionnaires returned due to the reason that they were not available in that address. Also, agencies and Indo-German chamber of commerce were approached to send the questionnaire to their

personal contacts in order to generate more answers for a more fruitful result. Along with the above the questionnaire was made available to the Technology and Innovation Management (TIM/TUHH) website and also on XING and LinkedIn. The table below shows the number of MNEs contacted and the survey participants.

Sector	Indian MNEs contacted	
	Number	% age
Auto	20	11%
Airlines	1	0.5%
Bank & Finance	3	2%
Biotechnology	3	2%
Ceramics	1	0.5%
Chemicals	2	1%
Consultancy	16	9%
Electrical & Electronic	5	3%
ICT	73	40%
Logistics	2	1%
Machinery & Parts	8	4%
Packaging	2	1%
Pharmaceuticals	13	7%
Ferrous & Non Ferrous	2	1%
Textiles	3	1.5%
Travel & Tourism	3	1.5%
Trade	3	1.5%
Wind Energy	6	3%
Others	17	9.5%
<b>Total</b>	<b>183</b>	<b>100%</b>

*Table 3: Indian MNEs in Germany contacted for survey<sup>3</sup>*

## ***1.3 Descriptive Analysis of Results***

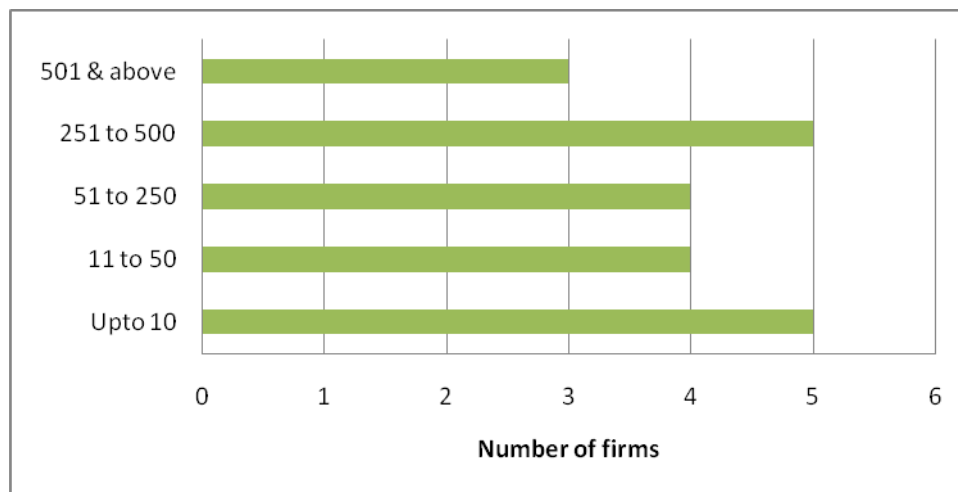
### ***1.3.1 Characteristics of respondents***

Altogether 21 valid responses were received. Among the respondents – all members of Senior Level Management. The sectoral composition was as follows: ICT (7), Pharmaceuticals (4),

<sup>3</sup> Source: Literature review, internet websites, Data also taken from Tiwari and Herstatt (2009) and Tiwari and Mani (2009)

Automotive and Automotive Components (3), Textiles (2), Electrical and Electronics (1), Logistics (1), Transportation (1), Watches and Jewellery (1) and Wind Energy (1). Out of the 21 respondents, 16 firms were wholly-owned subsidiaries, 2 were Indo-German Joint Ventures (JV), 2 were Equity shares and 1 was a Branch Office. The “oldest” subsidiary in the sample was active in Germany as early as December 1977 while the “newest” ones (2) were established in 2009. Four (4) firms came into existence between 1990 and 2000 whereas thirteen (13) firms were established post 2000.

All 21 firms reported that they have a permanent office in Germany. In regard to the employees, 5 firms employed less than 10 persons whereas 3 firms reported to have employed more than 500 employees in the last fiscal year. Figure 2, shows the employment graphics of all 21 respondent firms.

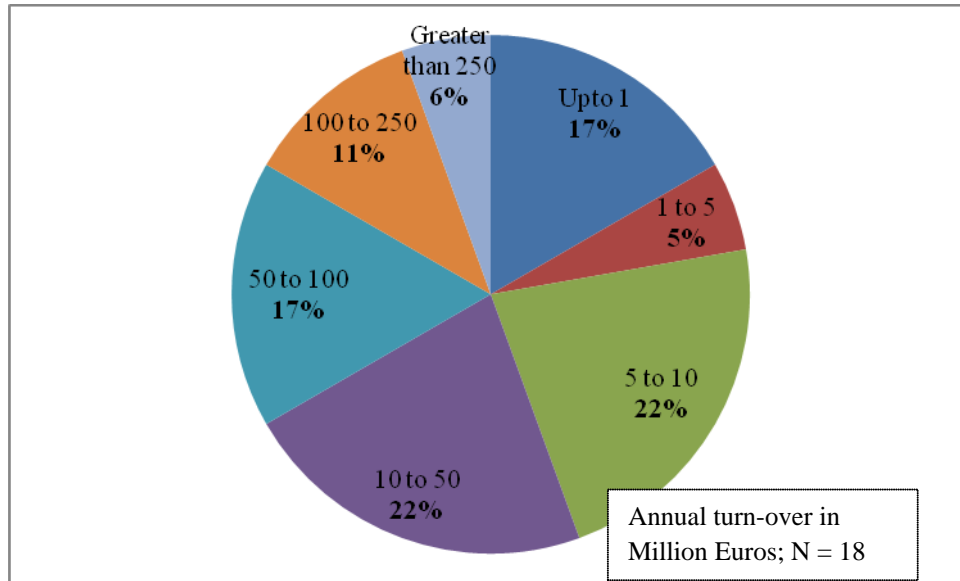


*Figure 2: Employees on average of survey participants in last fiscal year<sup>4</sup>*

Figure 3, shows respondent firms with annual turnover in Germany in the last fiscal year. While 12 out of 21 firms (57%) had turnover of up to 10 Million Euros, 2 firms reported having turnovers up to 250 Million Euros and interestingly 1 firm reported having a turnover of more than 250 Million Euros.

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<sup>4</sup> Self Construction



*Figure 3: Annual turnover of survey participants in last fiscal year<sup>5</sup>*

### 1.3.2 Success Rates of Firms

The respondents were asked to evaluate their overall success as a firm in Germany on a scale of 1 (= “totally failed”) to 6 (= “very successful”). The Success Rate for all firms was evaluated at an average of (3.9).

In the following analysis firms were supposed to have been quite successful when the participants marked ‘5’ or ‘6’ and not so successful or partially successful when they marked ‘1’, ‘2’ or ‘3’ on a scale 1 to 6 (described above). Out of the 21 firms, 9 firms denoted that they were quite successful evaluated at an average of (5.2) while 7 firms responded to be partially successful and 1 firm responded to have completely failed which was evaluated at an average of (2.5). Table 4 shows the selection criteria for the successful and unsuccessful firms and uses this nomenclature for analysis even at later parts of this section.

Selection Criterion '1' = Completely Failed .. '6' = Very Successful	Number of firms
<b>Successful</b> ( When participants marked '5' or '6')	<b>9 firms</b> (Evaluated at an average of 5.2)
<b>Partially successful</b> (When participants marked '2' or '3') and <b>Failed</b> (When participants	<b>7 firms</b> (Evaluated at an average of 2.5)

<sup>5</sup> Self Construction



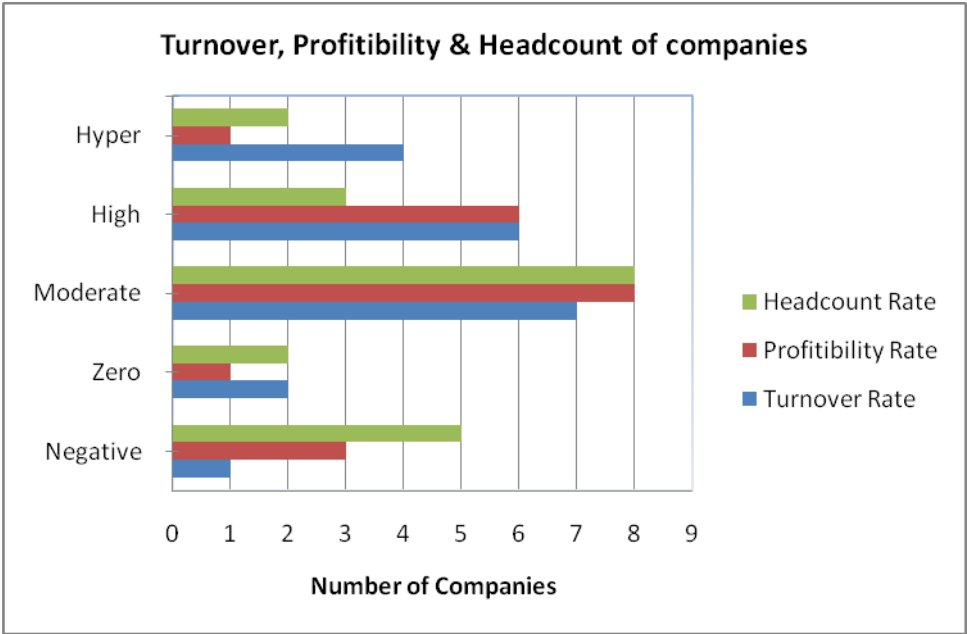
marked '1')
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*Table 4: Selection Criterion for successful and partially successful firms*

Among the respondents, ICT (N=7) and Pharmaceuticals (N=4), firms were evaluated to have a success rate at an average value of (4.3) along with Automotive and Automotive component (N=3) firms evaluated at an average value of (4.7).

Out of 9 firms which rated it to be very successful, 4 were M&A deals while 5 being Greenfield investments. Out of these 9 firms, 3 firms employed up to 500 employees and 2 firms employed more than 500 employees. On the other hand 7 firms which reported to have been partially successful, 3 of them employed up to 10 employees and another 3 up to 50 employees. 7 firms which responded to be partially successful saw a moderate (1% to 5%) growth rate in “Turnover” and “Profitability”. 5 of the 7 partially successful firms reported a negative (less than 0% growth rate) in “Headcount” in the last fiscal year.

Figure 4, shows a comparison of the “Turnover”, “Profitability and “Headcount”. On an average majority of the firms have indicated a moderate (1% – 5%) to high (5% - 15%) growth rate in all three areas in the last fiscal year which can be attributed to the global financial meltdown which prevailed in the world.



*Figure 2: Comparison between 'Turnover', 'Profitability' and 'Headcount'<sup>6</sup>*

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<sup>6</sup> Self Construction

### 1.3.3 M&A analysis

11 out of 21 firms stated having M&A deals with Indian companies. The respondents were asked to evaluate 7 different aspects that happened after the M&A deal occurred on a scale of 1 (= “decreased”) to 5 (=”increased”). “Effect on Strategic autonomy” was evaluated to have been “increased” with an average of (3.7). Interestingly, the factor “turnover post acquisition” was evaluated at (3.4), along with “effect on customer retention” and “effect on operational autonomy” which also showed marginal increase was evaluated at (3.3). The M&A analysis is depicted below in Table 5.

<b>Criteria</b> <b>1= decreased...5= increased</b> <b>Note: ( ‘3’ means No Impact)</b>	<b>Overall (N= 9)</b>
a. Turnover post acquisition	3.4
b. Attrition post acquisition	3
c. Time required to fill vacancies	3.2
d. Customer Retention	3.3
e. Customer Perception	3.1
f. Operational Autonomy	3.3
g. Strategic Autonomy	3.7

*Table 5: M&A Analysis<sup>7</sup>*

From the above analysis, clearly it can be seen that the ‘strategic autonomy’ of the firms increased in Germany along with ‘turnover post acquisition’. An interesting observation is the increase in ‘time required to fill vacancies’ which was evaluated at [(3.2) greater than (3.0 = No impact)]. It can be assumed that although there was an increase in the strategic autonomy, the human resource strategy for Germany was somewhat missing and recruiting people from local market was not so easy which might be because of the differences in languages and also working culture differences between India and Germany.

### 1.3.4 Market Factors Analysis

Survey participants were asked about the market conditions they cater to in Germany. For this purpose they were asked to evaluate 9 different market factors that were pre-identified

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<sup>7</sup> Self Construction

during the literature survey and expert interviews on their decision making scale of 1 (= “Very Low”) to 6 (= “Very High”). The results are presented in Table 6.

The analysis clearly revealed that the factor “intensity of competition (current)” and the “increase in intensity of competition (in future expected)” were rated very high with weight age

<b>Criteria</b> <b>1= Very Low...5= Very High</b>	<b>Overall (N= 17)</b>	<b>ICT (N=5)</b>
Growth in revenue in comparison to industry average	3.9	4.2
Growth in revenue in comparison to Top 5 performers	3.4	3.6
Intensity of Competition (current)	5.6	5.2
Intensity of increase of Competition (in future expected)	4.8	5
Rate of new entrants	3.1	5
Rate at which firms go out of business	3.2	3.6
Availability of substitutes	4.7	4.6
Adaptability of Products and Services to German market	4.2	4.4
Pricing of products and Services	3.4	3.6

*Table 6: Comparison of Market Factor analysis between Overall respondents and ICT firms<sup>8</sup>*

A comparative analysis was also made with respect to firms which were quite successful and firms which were partially successful. Out of the 21 firms 9 firms which were evaluated to be quite successful at an average of (5.2), whereas 7 firms which were evaluated to be partially successful at an average of (2.5).

According to the analysis of the 9 firms which were quite successful as opposed to the 7 firms which were not so successful, it was found that the “rate of new entrants” for the successful firms were quite low evaluated at (2.7) as opposed to the partially successful ones evaluated at (4.0). Also the “degree of substitutes available” was evaluated at a high of (5.1) for the partially successful as opposed to (4.4) for the unsuccessful ones. The factor “local

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<sup>8</sup> Self Construction

adaptation of products and services” was also evaluated at a high of (4.5) for successful firms whereas partially successful firms averaged at (4.0). Interestingly, the ‘pricing of the products and services’ for successful firms was higher evaluated at (3.7) as opposed to the partially successful firms evaluated at (3.4) which is augmented by the higher growths in ‘terms of revenue in terms of industry average’ which for successful firms were evaluated at (4.0) and for partially successful ones at (3.6).

The above analysis shows that firms which were partially successful were having stiff competition from perhaps local German players which is augmented by the availability of more substitutes for the same products or services. Interestingly, as per analysis the local responsiveness of the products and services to the German market was missing and should have been included in the company’s strategy. Successful firms which were able to adapt their products and service more to the local German market can create somewhat a cushion for their products and services and price their products and services higher than the industry average along with creating entry barriers in the same market.

**Summary of Critical Success Factors – Market Perspective:**

- Successful firms were able to adapt their products and services more to the local German market as opposed to the partially successful ones.
- Successful firms because of increased local responsiveness of their products and services were able to create entry barriers in the market they operate which leads to their increase in turnover by higher pricing of products and services.

*Table 7: Summary CSF - Market Factors<sup>9</sup>*

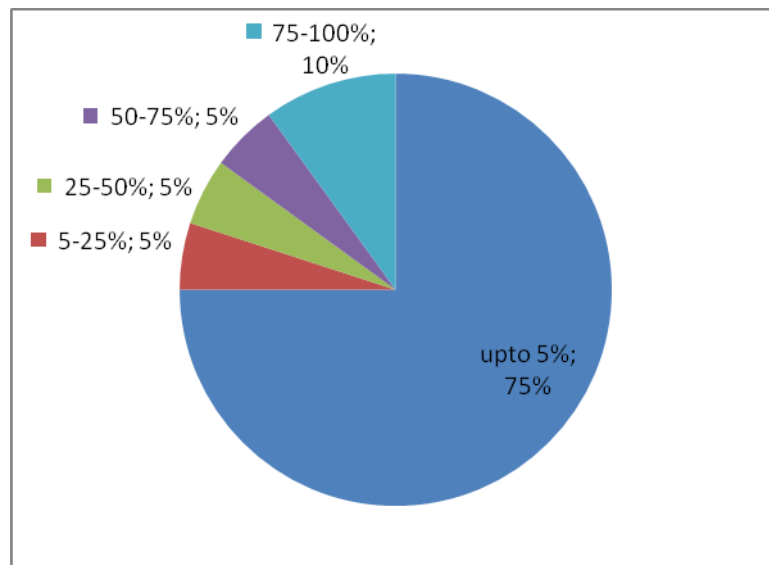
### ***1.3.5 Human Resources Factors Analysis***

Survey participants were asked to respond to human resource factors. One such question was “expatriates’ that were sent from India to Germany”. While the ICT firms responded to have ‘50-75%’ of their employees coming from non-German subsidiaries, the Automobile and Automotive components along with the Pharmaceuticals firms responded to having just “Up to 5%” being sent from non-German subsidiaries which also is juxtaposed with most of these firms having more percentage of German employees in their firm as opposed to ICT firms.

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<sup>9</sup> Self Construction

Figure 5, shows a pie chart depicting the distribution of number of expatriates coming from non-German subsidiaries to German subsidiaries.



*Figure 3: Expatriates sent from non-German subsidiaries to Germany*

An interesting analysis of the Human resource composition is shown below:

Criteria 1= Very Low...5= Very High	Overall (N= 21)	ICT (N=7)
Recruiting and retaining people having local market knowledge in Management positions	4.8	4.6
German Language Training	3.9	4.4
Bridging Cultural differences	3.8	4.1
Career and Personal Development in German firm	4.2	4.1
Annual attrition in past 3 years	3	2.7
Willingness of people to work for an Indian firm in Germany	4.1	4.1

*Table 8: Human Resource Analysis between Overall respondents and ICT firms<sup>10</sup>*

The analysis was extended to compare firms which rated themselves as to be quite successful in Germany as opposed to the ones which rated them to be partially successful. For this

<sup>10</sup> Self Construction

purpose the same 9 firms along with the 7 partially successful firms was taken into the analysis. Interestingly, the successful firms were able to “recruit and retain people having local German market knowledge in management positions” evaluated at (5.1) as opposed to the partially successful ones evaluated at (4.6). An interesting observation was the extent of German language training that was provided which was found higher, evaluated at (4.6) for partially successful firms as opposed to (3.0) for quite successful ones provided all firms only sent up to 5% of expatriates from other foreign locations to German offices. In addition the successful firms reported a higher ‘willingness of local people to work for an Indian firm’ evaluated at (4.4) than partially successful ones evaluated at (4.1). This is augmented by the lower ‘annual attrition (past 3 years)’ evaluated for successful firms at (2.6) while for partially successful ones was evaluated at (3.3) for the same past three years.

The above analysis shows that the firms which were successful were better at recruiting and retaining people than the ones that were partially successful, which is augmented by the willingness of people to work for those firms. Clearly the successful firms had a better human resource strategy than the partially successful ones.

**Summary of Critical Success Factors – Human Resource Perspective:**

- Successful firms were able to recruit and retain people at management positions and also suffered low attrition which relates to their having a better human resource strategy than partially successful ones.
- Successful firms have more local people (Germans) working for them as opposed to partially successful ones, which indicates that the management of these companies are more aware of the local needs and culture of the market in Germany as opposed to the partially successful ones.

*Table 9: CSF - Human Resource Factors<sup>11</sup>*

**1.3.6 Operational Factor Analysis**

Survey respondents were asked to answer questions related to their daily operational business. The table 10, below compares the average values evaluated for the overall 21 firms and the seven (7) ICT firms. Interestingly the ICT firms were found to have lesser operational autonomy evaluated at (3.9) than the average evaluated at (4.4), which leads us to believe that

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<sup>11</sup> Self Construction

most of the strategies regarding the operations were set up by their corporate headquarters in India. Also, ICT firms were affected more by the bureaucratic hurdles evaluated at (4.3) which was quite high than the average evaluated at (3.4). Since in the human resource part we already mentioned that up to 50-75% of the human resource comes from Non-German subsidiaries, it is quite natural for the ICT firms to undergo hurdles such as ‘visa issues’.

<b>Criteria</b> <b>1= Very Low...5= Very High</b>	<b>Overall (N= 21)</b>	<b>ICT (N=7)</b>
Integration of Germany based key suppliers	4.1	3.6
Efficiency of Supply Chain in Germany	4.2	4.0
Operational Autonomy in Germany	4.4	3.9
Bureaucratic hurdles affecting operations in Germany	3.4	4.3

*Table 10: Comparison in Operational factors between overall respondents and ICT firms<sup>12</sup>*

A further analysis, in juxtaposition to the quite successful and partially successful ones is highlighted here. Interestingly, the successful firms were able to maintain a supply chain with ‘high efficiency’ evaluated at (4.6) as opposed to the partially successful ones evaluated at (4.1) along with a higher operational autonomy evaluated at (4.7) for successful and (4.1) for partially successful firms. The biggest observation is that the successful firms were able to overcome the bureaucratic hurdles in a much better manner and was evaluated at a much low of (2.9) as compared to unsuccessful ones evaluated at (4.0).

The above analysis shows that the local management of the successful firms were able to strategise in a good manner regarding the operational factors which led to a greater efficiency of their supply chain along with greater operational autonomy which might have resulted from having key suppliers placed at strategic locations and also close to the market that these firms cater to. Successful firms were also able to overcome bureaucratic hurdles, which points in the direction of having a better integration with partners who offer services to foreign companies in regard to visa regulations, labour regulations and other legal and administrative issues to a much greater extent than the partially successful firms.

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<sup>12</sup> Self Construction

### **Summary of Critical Success Factors – Operational Factors Perspective:**

- Successful firms were able to maintain a higher efficiency of their supply chain, possibly by integrating with key suppliers and dealers in strategic locations which are close to the local market that they serve thus making the value chain more effective in Germany.
- Successful firms have possibly better integration with agencies in Germany who help them overcome bureaucratic hurdles regarding Visa issues, labour issues and also administrative issues.

*Table 11: CSF - Operational Factors<sup>13</sup>*

#### ***1.3.7 Customer Factor Analysis***

All survey participants were asked to rate questions asked regarding the customers they serve. The table 12 below shows a comparison between the Overall 21 firm's response and the seven ICT firms. Clearly the ICT firms were better off serving customers than the average evaluated for all the 21 firms. Interestingly, the 'level of after sales service' provided by the ICT firms evaluated at (5.0) was much greater than (4.5) for all firms. This indicates that the ICT firms both in 'Engineering services sector as well as the 'Software development' sector were able to retain their markets through customer satisfaction even after the selling of the product or service which they offer to the markets here in Germany.

<b>Criteria</b> <b>1= Very Low...5= Very High</b>	<b>Overall (N= 21)</b>	<b>ICT (N=7)</b>
Extent of acquiring new customers	3.7	4
Extent of retaining old customers	4.8	5
Value perception of Quality by customers in Germany	4.8	5
Extent of after sales service offered to customers	4.5	5

*Table 12: Comparison of customer factors between overall respondents and ICT firms*

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<sup>13</sup> Self Construction



In relation to the quite successful and partially successful firms, it has been observed that the ‘level of after sales service’ was much higher evaluated at (5.2) as opposed to (4.5) evaluated for partially successful firms. Also the ‘customer perception of quality’ was evaluated much higher at (5.4) for quite successful firms as opposed to (4.7) for partially successful firms.

The above analysis shows that the quite successful firms are able to hold on to their customers by being more productive even the after sales channel service which is augmented by the finding in the operations tab above of having a higher efficiency of their supply chain where they are able to incorporate ‘reverse logistics’ also. As seen in the markets factor, ‘a high local adaptation’ gives the successful firms a chance to focus more on quality which comes out as a prime factor for the success of these firms and also helps it to maintain its market position and help the successful firms to price their products higher than the industry average.

**Summary of Critical Success Factors – Customer Factors Perspective:**

- Successful firms were able to provide much higher levels of after sales service than partially successful ones which gets augmented to their higher efficiency of supply chain possibly having the important aspect of reverse logistics.
- Successful firms have been able to cater to their customers with a higher level of quality for products and services which is the result of focussing on the local adaptation of products and services.

*Table 13: CSF - Customer Factor<sup>14</sup>*

**1.3.8 Strategic Factor Analysis**

Out of the 21 respondent firms, 11 firms reported that there had been a change in business model of the parent firm in India. In relation to the above change in business model the firms were asked to evaluate the effect of this change regarding their operations in Germany.

Criteria	Impact		
	Increased (No. Of firms)	Decreased (No. Of firms)	No Impact (No. Of firms)
Strategic importance	9	1	1

<sup>14</sup> Self Construction

of business area in Germany			
Importance of German Market	9	0	1
Level of Operational Integration with Headquarters	8	2	1
Scope of responsibility for European Markets	9	1	1

*Table 14: Summarising the effects of Strategic model change and number of firms affected<sup>15</sup>*

As seen from the above table, the changes in business model have rather helped most of these firms. Analysing the success factors in view of the firms that had undergone a change in the business model (11 firms) was evaluated at an average of (3.9) while the ones which didn't undergo a change in the business model (9 firms) was evaluated at an average of (4.3).

<b>Criteria</b> 1= Very Low...5= Very High	<b>Overall (N= 19)</b>	<b>ICT (N=6)</b>
Strategic Decision making capacity of management in Germany	4.6	5
Effect of regulatory issues (e.g. environmental standards) on business operations in Germany	2.8	2

*Table 15: Strategic Factor comparison between overall respondents and ICT firms<sup>16</sup>*

Interestingly 7 out of 11 firms that had undergone a change in the business model were from the ICT and Automobile sector and all reported to have had an increase in 'importance of strategic business areas in Germany' along with the importance of 'German market for shareholders'. 5 out of the 9 quite successful firms reported to have undergone a change in the business model which resulted in greater 'strategic autonomy' and also 'increase of importance for German shareholders'. One ICT firm interestingly reported to have had an addition of 'manufacturing' as one of their additional capabilities. On an average 5 out of the 9 quite successful firms saw an increase in the 'operational integration' of their German subsidiary with their headquarters. This is augmented by their 'increase of scope for European markets'.

<sup>15</sup> Self Construction

<sup>16</sup> Self Construction

The above analysis shows that the change in the business model had given the management of quite successful firms the opportunity to lead their business for the local market in a much efficient manner by being more locally responsive to the market and also integrate with key suppliers and dealers to get their products and/or services in the quickest possible time. A special case of the addition of a capability goes to show the local adaptation for the market.

**Summary of Critical Success Factors – Strategic Factors Perspective:**

- Successful firms saw an increase of importance of their strategic business areas along with an increased importance of their shareholders for their German market.
- Successful German subsidiaries have been able to integrate them more on an operational level too with their Indian headquarters which shows that they have been quite able to take care of the differences in cultures in these two countries along with the prevailing language and other legal problems.

*Table 16: CSF - Strategic Factors<sup>17</sup>*

### ***1.3.9 An Overview of Challenges Faced***

All survey participants were asked to mention the challenges that they faced while running their business in Germany. Open spaces were provided with an option to report a challenge as being overcome or still facing.

4 out of 9 firms that were quite successful reported to have overcome with the challenges such as ‘visa issues’, ‘market penetration’ and ‘integration’ with the headquarters. Although, almost all firms indicated that they were still facing ‘cultural’ and ‘language’ issues. One firm reported to have completely failed in its ‘HR strategy’ and ‘market development strategy’. This is augmented by another firm which mentions its challenges as being unable to ‘recruit high skilled graduates’ and also lessen the fear of ‘Germans losing their jobs’.

A brief summary of the challenges that are still being faced by most firms are mentioned below:

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Major Challenges faced by Indian firms in Germany
1. Cultural Differences between India and Germany
2. Integration of Germany subsidiary with Headquarters in India
3. A Common Strategy between India and Germany
4. Promoting the Indian Brand in Germany
5. Ensuring the quality of products and services to the consumers in Germany

*Table 17: Challenges faced*

### ***1.3.10 Recommendations for Management***

In this section we summarise the key Critical success factor that has evolved from our findings throughout this study which might be of help for the Top and the Middle Level Management for ensuring a successful running of their business in Germany. The factors are listed below in table.

	Critical Success Factor
<b>Top Management</b>	<ul style="list-style-type: none"> <li>➤ Top Management needs to focus on local adaption of products and services by having a proper marketing strategy catering to Germany.</li> <li>➤ Top management needs to integrate with German based agencies for smoothening out the bureaucratic hurdles in order to initiate and run their business in Germany.</li> <li>➤ Top management needs to have a tailored HR strategy for German market in order to be able to recruit and retain people at management positions having high level of local market knowledge.</li> </ul>
<b>Middle Management</b>	<ul style="list-style-type: none"> <li>➤ Middle management needs to integrate with key suppliers and dealers to be able cater to the market in shortest possible time and also increase their supply chain efficiency.</li> <li>➤ Middle management should focus on delivering the highest quality of products to their customers in order to retain the market share and lock in more percentage of the market.</li> <li>➤ Middle management should incorporate a high level of after sales service (pertaining to business needs) in order to increase customer satisfaction and perception of customers in Germany about</li> </ul>

	<p>the quality of products and services delivered by that firm.</p> <ul style="list-style-type: none"> <li>➤ Middle management must help top management to achieve operational integration of their German subsidiaries and the Indian headquarters.</li> </ul>
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*Table 18: Recommendations for Top and Middle Management<sup>18</sup>*

## **2. Conclusion**

The study shows that most Indian firms have performed well in Germany in general. The case studies involving financial benchmarking have shown that the right mix of strategic and operational strategies can be helpful in hedging the risks that an Indian firm might follow in Germany. This study provides unique insights into deriving a probable set of critical success factors which is quite unique in its nature. The study also shows the effects of the Global financial meltdown and the possible strategies that firms have taken up in order to sustain business in an uncertain environment.

Nonetheless, firms have also faced challenges and are still facing it. The challenges seem to have grown beyond just the ‘cultural issues barrier’ and ‘foreign language’ and challenges such as ‘integration to corporate headquarters’ and ‘local adaption of products’ seems to have crept in. The study shows the requirement of a more effective human resource strategy for the local German market and for the same alliances with local universities and other organisations to lock in employee’s right from the university and undergraduate level must be undertaken.

Since this study is based on a relatively small sample, the findings are of a tentative character. Nonetheless, there are strong reasons for the assumption which are in conformity with the existing expert opinions and available reports. These finding provide a useful base from the strategic to the operational level which encompasses the recommendations for the top and middle management for the right things to do at the right time in order to sustain their business in Germany.

In summary, Germany definitely has become a favourable destination for Indian MNEs in pursuit of their growth opportunities overseas because of its technological prowess and huge market. Studies have showed that more Indian MNEs will venture into this market in the

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future. It goes beyond saying that the MNE must identify a set of critical factors in terms of market, operations, human resource and customers in order to succeed in Germany.

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