Knowledge@Wharton

Delhi in Davos: How India Built its Brand at the World Economic Forum

Published : February 22, 2006 in Knowledge@Wharton

People passing through Zurich and other Swiss airports in the last week of January are likely to have heard somebody humming a Hindi song or draped in an Indian *pashmina* shawl. India seemed to be everywhere at the annual meeting of the World Economic Forum in Davos, where global political and business leaders congregate each year to ponder the fate of the world. By all accounts, discussions about India and China figured prominently at this year's forum, undoubtedly in view of these countries' growing role in the world economy.

In India's case, though, another factor also was at work. Determined not to be overshadowed by other countries or business agenda items, Indian business and government leaders spent some two years and more than $4 million putting together an elaborate marketing and PR campaign -- much as a multinational corporation might plan a major branding initiative -- to ensure that the "India story" got prominent play and did not get lost this year amid the chatter at Davos. For a country with aspirations of growing from a regional to a global economic power, the summit offered a platform to showcase its strengths and opportunities in front of the world business and political elite. Indeed, Mukesh Ambani, chairman and managing director of Reliance Industries -- India's largest private-sector conglomerate -- was co-chair of the Forum.

The core message of the "India Everywhere" campaign, as its organizers called it, was simple: It presented the country as an attractive destination for foreign investment, as an emerging manufacturing hub and as a credible partner for world business. In addition, it highlighted the Indian government's policy reforms and showcased the country's cultural diversity, with the overall goal of helping Davos participants gain a deeper understanding of Indian people and markets.

How does a country go about planning and implementing such a major branding exercise involving 22 companies, various government ministries and departments, and other organizations? How does it determine its goals, and even more importantly, measure the eventual outcomes to ensure that these goals are met? In an effort to answer these questions, Knowledge@Wharton interviewed Indian business and government leaders and Wharton professors who were at Davos. Their assessment is unanimous: They say that while India's campaign at Davos was both impressive and effective, the country must now walk the talk with infrastructure improvements and free up policy and procedural bottlenecks. If that fails to happen, its credibility could be at risk.

The Great Indian Hope Trick

A key part of making India more visible at Davos involved increasing the country's bench strength at the summit. Some 110 Indian business leaders and government officials attended this year, participating in more than 200 meetings and speaking in 60 sessions. In contrast, India had 50 delegates who participated in just 60 meetings in 2005, and it had 40 delegates who took part in 10 meetings in 2004. The total Indian force at Davos this year was about 300, including some 20 print and broadcast media representatives, a dozen chefs, support staff, artisans and musicians.

Knowledge@Wharton

When work was not on the agenda, the Indian delegation lavished Davos attendees with lunches, dinners and cocktail hours with Indian liquor and cuisine, Indian art exhibitions and gift hampers. The entertainment high point was a four-hour soiree on the last evening with Bollywood songs and dances that went on until early morning. The nearly 650 people who attended the event included Dell chairman Michael Dell, New York Stock Exchange CEO John Thain, several other CEOs of top-rung U.S. corporations and business school academics.

"If we had done all this five years ago, people would have laughed," says Rahul Bajaj, chairman of Indian two-wheeler manufacturer Bajaj Auto who has attended Davos summits for 21 years. "You can't advertise or promote a product which has bad quality, but in the last few years, Indian industry has come of age."

The "India Everywhere" initiative was created and driven by the Confederation of Indian Industry (CII), the country's most prominent business advocacy group, which roped in support from leading business houses and key officials from the central and state governments. The $4 million campaign was funded by contributions from 22 Indian companies, some of which paid more than $150,000 -- hardly a trivial amount for a five-day event. The Indian government spent another $2 million through the India Brand Equity Foundation under its commerce ministry, which worked closely with CII on putting together the campaign.

On behalf of the Indian government, the initiative was led by finance minister P. Chidambaram, commerce minister Kamal Nath and the deputy chairman of the Indian Planning Commission, Montek Singh Ahluwalia. "The entire flavor at Davos was India -- hearing India, tasting India, smelling India. We wanted to project it as the fastest growing free market economy in the world," says Nath. "India with its capabilities is now roaring, with not just its BPO [business process outsourcing] industry, but also EPO [engineering process outsourcing] and KPO [knowledge process outsourcing]. It is also a strong manufacturing hub." The overall theme at the forum was that of a "credible India," says Nath, adding, "In tourism, it was Incredible India."

Emerging from an Insular Shell

India has participated at the World Economic Forum (WEF) meetings for more than two decades. N. Srinivasan, CII's director-general in New Delhi, who was a key member of the "India Everywhere" campaign team, recalls that in past years, while international companies were interested in India, the country was "closed and insular" and went to Davos with a "defensive posture." Things began to change with India's economic reforms that began in 1991 under its then prime minister Narasimha Rao, who three years later was the first Indian premier to attend the Davos summit. (A noticeable absence this year was that of Indian Prime Minister Manmohan Singh, which was attributed to his engagements relating to India's Republic Day on January 26.)

Srinivasan recalls how this year's campaign initiative was born at a hotel breakfast table during the Davos summit two years ago. Nandan Nilekani, CEO, president and managing director of Indian software giant Infosys, Srinivasan and a few others at that table talked about how India has its own story to tell, while China was on the rise and European issues figured prominently at the forum. They carried their napkin notes back home, and drafted an ambitious plan that had four key elements: first, to get more Indian speakers and participants at the WEF forums; second, to put together a "dream team" including top government officials to support this exercise; third, to create a brand image for India through billboards, banners and literature; and finally, to get India into the culture and entertainment space at the summit.

Michael Useem, director of Wharton's Center for Leadership and Change Management, recalls a huge billboard he couldn't miss as he emerged from Zurich airport's customs check: "15 years, 6 governments, 5 prime ministers, ONE DIRECTION," it said, with the line below that: "6% average annual GDP growth" and a logo alongside of India's participation at the Davos event. "It cost a bomb, but we decided to do it right and do it well," says Srinivasan.

Ajay Khanna, CEO of the India Brand Equity Foundation, was actively involved in orchestrating the "India Everywhere" campaign. He says he saw "a new respect for India" in the eyes of Davos delegates. Useem adds that on the first day of the summit, about 1,500 participants at a key session were asked to focus on five issues, one of which was the emergence of India and China.

Where India Figured on the World's Agenda

As government and business leaders grappled with the shape of the emerging world economic order, many were convinced that the next 10 years for the ICT (information and communication technology) industry would be more spectacular than the last, says Nilekani. "However, although everyone had a view, no one was too sure how existing business models could be disrupted by new technologies," he says. "This created a real sense of anticipation as to who would be the dominant players in the next decade."

In the area of outsourced business processes, Indian companies were perceived to be "delivering beyond cost gains, with innovation and creative solutions," says Ravi Aron, a professor of operations and information management at Wharton who moderated a discussion on outsourcing and offshoring innovation at Davos. He also found that refreshingly, Indian businesses and politicians didn't blather on about the country's "great democracy" and "5,000 years of culture" as they have sometimes done in the past. "They were willing to talk about ROI (return on investment) and EBITDA (earnings before interest, taxes, depreciation, and amortization)," he says. "India seemed to send the message that there are serious adults in charge and they mean business."

Apart from pitching India as a credible investment destination and a business partner, Nilekani and other Indian CEOs got to address global concerns that form part of the global economy. Nilekani says "a key objective this year was to identify the challenges society and business face from the emerging global talent deficit," and the Indian delegation discussed that issue in several debates. At another meeting two days later on Indo-U.S. ties, Nilekani found a distinct change in perceptions. "For the first time, everyone agreed that the discussion hit a new level," he wrote in his Davos blog.

Howard Kunreuther, a professor of decision sciences and public policy at Wharton, who participated in six sessions that focused on global risk, notes that "India was an important part of that process." The Wharton Risk Management and Decision Processes Center, of which he is co-director, is the academic partner of the World Economic Forum on global risk issues. Through discussions on assessing and managing risks in the global market place, Kunreuther says it seemed to him "that the issue of risk is very much on India's agenda."

Relations with China

Nobody at Davos wanted to see business clashes between India and China. Nilekani says an important objective was to "change the perception about India and China being a zero-sum game" and instead present them as economies that offer complementary opportunities. "Unlike in previous years, where the world was preoccupied with issues such as Iraq, this year it is back to the basics of business," he says. "There is a strong acceptance that globalization is here and that India and China are at the center."

Nilekani further found participants at the forum being "more focused on how to adapt to these rising economies [of India and China], rather than worrying about what this means [for their countries]." Khanna says the campaign organizers were careful to ensure that India is perceived as a partner with China. "In all our messaging, including our briefs to the Indian delegates, we sent out a clear message that it is not India versus China," he says. He points out that bilateral trade between the two countries is now $18 billion annually, and that China may soon overtake the U.S. as India's largest trading partner.

Challenges of Doing Business with India

Stephen Kobrin, a professor of management at Wharton, doesn't buy what he hears from Indian businesses that while India is a democracy, China is not and therefore the Chinese have an easier time. "That argument is used too often as an excuse for a lack of progress," he says. "A lot of problems that India is experiencing are not because it is a democracy, but are leftovers from the British Raj and the socialist system early on. They don't have as much to do with democracy as the nature of governance in India."

Kobrin says people looking at India have concerns about "a lot of bureaucracy, a lot of controls, a lot of restraints, a lot of difficulty in establishing an enterprise and barriers in the way of entrepreneurship." He doesn't see ready solutions: "Just simply adapting*laissez faire* free market economic policies, deregulating and privatizing are probably not going to work either," he says. "They have a very difficult task treading between deregulation and privatization on the one hand, and protecting the social interests of a large part of the population on the other."

Labor reforms in India were a major area of concern among many delegates. "A flexible labor policy means the freedom to hire and fire -- words which politicians don't like," says Bajaj, who backs his case by insisting that employers provide retrenchment compensation safety nets for employees who are laid off. Aron says some participants were concerned that organized labor, which accounts for less than 10% of India's labor force, has the ability to wield disproportionate clout. "Greater foreign investment in insurance, retailing, personal financial services and airlines are all highly beneficial to India," he says. "Whether small segments of well-organized political interests will allow this to happen is a concern that is frequently raised."

Aron says participants also faulted India for tardiness in privatizing government-owned companies. "Any move to privatize meets with fierce resistance from organized labor, and it is by no means clear that the government has either the political will or the wherewithal to do the right thing economically," he says.

Nath points out that the concerns about India among global investors could be attributed also to "a lack of knowledge" about many policy initiatives. "They wanted to know if you are allowed to do this or that," he says. Some forum participants also raised concerns about the intellectual property protection regime in India. "They appreciated our legislation on IP, but now they are looking forward to its implementation," says Nath.

Bajaj notes that the Indian government must now resolutely step up investments in infrastructure, curtail unnecessary expenditure and non-merit subsidies, free up its labor policies and cut down red tape and corruption. "If we don't do these things back home, I will not be able to go back to Davos because they will laugh at me," he says.

Stepping up corporate governance should also be high on India's agenda, says Useem. He points in particular to Clause 49 of the listing guidelines set out by India's securities industry regulator, the Securities and Exchange Board of India (SEBI). The clause lays down norms for appointment of directors and audit committees, and procedures for disclosures of lapses and executive compensation packages, among others. Implementation of Clause 49 by Indian companies has been slow, and SEBI has extended the compliance deadline a few times.

As countries go about implementing reforms, a frequent drag is the absence of a long-range vision. "The main issue at Davos was the problem of NIMTOF -- Not in My Term of Office," says Kunreuther. "There is a tendency to compartmentalize and look at things individually rather than as a portfolio." In measuring the outcome of its investments in Davos, India should identify the relevant metrics with both short- and long-term horizons.

Measuring ROI

Nilekani says the success of the "India Everywhere" campaign will be measured on two counts. The first will be changes in economic and social reforms in India, to ensure that India continues to evolve and builds a scalable model that encourages economic growth. Increased FDI inflows are the second barometer to watch.

Srinivasan believes India should aim for FDI inflows of $15 billion within three years, which is about twice the $7 billion estimated for 2005. But Bajaj doesn't think FDI inflows are a useful indicator of how well India followed up on its campaign at Davos. "If we get $10 billion instead of $5 billion, $100 million or $200 million out of that could be because of Davos, but who decides that?" he asks.

According to Useem, "In a year if the Indian economy hits a GDP growth rate of at least 6%, it does add to the credibility of those who are putting forward the case for India. But if India tanks with 4% [GDP growth] and Kashmir becomes a huge destabilizing factor, then predictably the credibility is undermined among international investors." The Indian government on February 7 forecast GDP growth at 8.1% for the current year that ends in March 2006, exceeding analysts' expectations. The drivers were growth in manufacturing and services, and improved productivity in the farm sector.

Kobrin, who has a background in advertising (he was brand manager with Procter & Gamble between 1965 and 1971), says the best measure of a return on India's investment at the Davos event is increased awareness of the country's efforts at liberalizing its economy and making it easier for international investors to do business there. He agrees that FDI inflows will be an important measure to track progress. "The measure has to be: Does India attract its share of foreign investment under the conditions it wants," he says. "And also, there has to be some measure of domestic entrepreneurial startups."

Nath says the Indian government is moving forward with policy reforms. He points to a January 24 announcement permitting 51% foreign investment in the retail industry, which would clear the way for companies like Reebok and Nike to move beyond franchise agreements in India. At the same time, he acknowledges that the challenges ahead are formidable. But he identifies strengthening the country's manufacturing sector and employment generation as the two biggest challenges. "We will try and streamline many of the other bottlenecks in policies and implementation," he says.

Aron recalls what a delegate said about the emergence of India: "The real contest is not between India and China. It is between India and India. One India exports $14 billion worth of software and services, runs multinationals and provides the offshore brains... the other India is unable to escape material privation and disenfranchisement, and elects representatives who are captives of vested interests and perpetrate the politics of poverty..."

Srinivasan notes the CII team is now working to ensure that it "actualizes" the "India Everywhere" initiative. He is clear that it would not be a good idea to repeat a show of such massive proportions at future World Economic Forum. "It would be overkill if we do that," he says. But the CII plans to play a more active role at regional summits in China and Latin America. The World Economic Forum has invited Nilekani of Infosys to join its Foundation Board. He will co-chair the Forum's East Asia Summit to be held in Tokyo in June.

Nath is happy with the way the Indian campaign went at Davos. "China has been the flavor so far, but India was seen as a breath of fresh air," he says. "I thought it would take much more effort, and a couple of Davos conferences, but it took just one summit." A delegate from Singapore seemed to acknowledge that success when he said that if his country wants to organize a similar campaign at Davos, his compatriots will call upon the CII for its expertise.