The "HAPPY" Framework
for International Companies in ASEAN and India

By Kai Taraporevala

ASEAN (10 countries; Singapore, Indonesia, Thailand, Philippines, Malaysia, Myanmar, Vietnam, Brunei, Laos, Cambodia) and India are significant economic regions. ASEAN and India each have total GDPs of over USD 2 trillion and are growing rapidly with Real GDP growths of 5% to 7% per annum. The regions have some of the largest numbers of "middle class" consumers and young demographics with populations of 1.3 Billion (India) and 633 billion (ASEAN).

Companies must create a significant presence in India and ASEAN. This is no longer an option but a necessity to survive and thrive in a global environment. However, attractive large macro-economic numbers hide challenges that international companies need to navigate. These challenges include regulations, politics, market risks, infrastructure, labor, cultural and communication issues.

The key question is how best to enter ASEAN and India. My experience advising and leading companies operating in these regions for over twenty-two years have led me to develop the "HAPPY" framework for International companies in Asia. While there are always specific issues to be considered and many details to be studied, this is a guide and framework that can be used to good effect.

Consider two publicly known incidents in the past decade:

- In 2012, after over a year of labor disputes and trouble at Manesar, its North India plant 51 kilometers from New Delhi, Suzuki's Indian subsidiary faced prospects of a prolonged shut down at its important factory. The tragic death of an Indian Human Resources manager and large scale labor violence shook business confidence and threatened to further affect Japanese investments in India.
- In 2010 Nat Rothschild and the Indonesian Bakrie joint ventured and set up a coal focused London-listed company Bumi. Soon the partners were in dispute with allegations of corruption and wrong doings. It took five years before Nat Rothschild finally sold his stake with a financial loss of at least 80 million pounds.

What lessons can one learn from these problems? Can better strategies allow international companies to succeed and make money in one of the world's largest and growing regions?

Leo Tolstoy wrote that "Happy families are alike; every unhappy family is unhappy in its own way". This essay offers five suggestions that are used by many successful, "happy family" international companies in the region. The HAPPY framework for successfully entering and expanding in ASEAN and India is summarized as:

- ASEAN and India are **H**uge and diverse regions at different stages of economic development and with many different, often contrasting cultures
- Remain **A**political
- Control **P**ersonnel (Human Resources) and Finance Functions
- **P**robity - Stay Incorruptible
- **Y**outhful Flexibility and Independent Thought

ASEAN and India are **H**uge and diverse regions at different stages of economic development and with many different, often contrasting cultures. Investors in Europe automatically think of it as a collection of countries with different cultures. The cultures of doing business in Sweden are different from that of Greece. The same applies to ASEAN and within India. These countries and regions not only have different languages and per capita consumption patterns but also have differences that are deeply cultural. Businesses must be aware of different traits and practices.

As an example, Myanmar has only recently opened for foreign investment. Regulations are evolving and in the mobile telecoms sector are still to be fully formulated. Opportunities are still emerging. Indonesia has had a set of rules for mobile telecoms such that there are four major operators and around 220 million subscribers. M&A, consolidation and perhaps a few more entrants might be seen in the coming years. Singapore is the most developed in mobile telecoms with three major, relatively stagnant (in terms of subscriber growth) operators.

Remain **A**political. Politics is always local but in ASEAN and India it is often particularly fractured. It is so easy to enter ASEAN and India by taking on joint venture partners or managers who say that they can “fix” your problems using “contacts”. However, aligning yourself either through design or ignorance, with one or another of the many political parties results in major risks. Parties are voted in and out of power and when out of power parties are constantly trying to create conditions for change. Unions are highly politicized and sensitivities around religions and castes are often seen in tensions between workers and executives. A strict meritocracy, clear guidelines and sufficient involvement by international company managers on the ground can mitigate these risks. At the very least a proactive approach to understanding who is who, is necessary.

Control **P**ersonnel (Human Resources) and Finance Functions. International companies too easily localize these two important areas of operations in their ASEAN and Indian companies. Successful international companies however keep a strong control over HR and finances while letting local managers get on with most other aspects of the business.

Control over HR practices allows for the right people, based on merit, to advance. This reduces local politics and religious issues and makes the company a preferred “international” environment in which to work. Control over the finance function ensures that the international parent knows exactly what is going on and can avoid the dangerous corruption trap.

In 2012 Nike had to agree to pay USD 1 million in unpaid overtime to Indonesian workers. It was alleged that nearly 4,500 employees at one of its group's suppliers had not been properly paid for close to 600,000 hours of overtime. Stronger HR oversight would have prevented this from occurring.

Probity - Stay Incorruptible. It is a myth that one must succumb to corruption to operate in some ASEAN countries and India. It is the unfortunate hurry with which companies function that makes them look to easy solutions. A few officials are corrupt; however, this is also a global phenomenon. Staying non-judgmentally resistant to corruption may result in initial delays for approvals or unnecessary tax and customs enquiries or demands. However, in the long term it leads to a positive precedent being set. Officials know that such a company is not a source of income, and normal business is more easily done. It is important here that local management know exactly what can and cannot be done. This involves training. Note that keeping the finance function firmly in the control of the head office (as described in the previous above) allows the international company to enforce a “no” to any activity that is not desired.

In 2002 Xerox admitted it paid out bribes totaling up to USD700,000 (£458,626) in connection with sales to Indian government customers and then announced that it was restating its 1997 to 2001 earnings because of accounting irregularities. If Xerox had kept the finance function and local CFO roles for its own executives these costly problems might not have occurred. It would have known what is going on and could have prevented or stopped these practices.

Youthful Flexibility and Independent Thought. It is an unfortunate occurrence that many international companies enter and operate in countries as if they were back home in their country of origin or cluster in national groups. Being flexible while addressing ASEAN and Indian markets is essential. This means using a company's core competence but making tactical adjustments.

A simple example is that McDonald's in India serves only chicken burgers and Burger King serves mutton burgers; neither serves beef burgers as many Hindus do not eat beef. Similarly, Indonesia and Malaysia are predominantly Muslim countries where pork is not permitted. These are perhaps obvious examples but illustrate that in product design, in manufacturing and in service practices, international companies need to show flexible, independent thought to thrive.

The above five HAPPY factors are common to most successful international companies operating in ASEAN and India. As in most things in life, getting there takes effort and time. The rewards though are many. From increased revenues and profits to attracting dynamic local executives who can then add value to an international companies' global operations. To survive and grow in an integrated global economy, international companies should enter and deepen business interests in ASEAN and India: using the five "HAPPY" family suggestions can help reap big benefits.

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