



Title: Sourcing from India - Opportunities and Threats for German Middle-sized Enterprises

-With a focus on the automotive engineering and information technology industry-

Structure/Aim

Impressive, diverse, nascent, aspiring and innovative – India is said to be one of the high-potential markets. On the assumption of this, to what extent this is applicable to German Middle-sized Enterprises (MEs) from automotive engineering and IT represented the major objective. Considering the circumstances MEs face - among others restricted resources, volumes and experience - the thesis measured the chances and risks the Indian procurement market bears for German MEs. Those identified characteristics aim to support German MEs in deciding on India as a sourcing market. Moreover, the potential for recent developments such as green transportation was scrutinised and tips how to tap potential best and how to minimise risks were given.

Method

As a basis for the analysis, a sourcing process has been set up to identify opportunities and threats. Before starting off with this method, the Indian automotive and IT market were characterised. Afterwards various aspects of collaboration and ease of doing business, performance, quality and service, transportation and supply logistics as well as monetary aspects and payment process were regarded with respects to German MEs and the two industries following the exemplary procurement process. Each aspect covered minimum two topics whereof chances and risks were identified. Linked with those, tips were given. In the end, all opportunities and threats found were summarised in a table and assessed in a risk-chance map.

Results

Following the sourcing process both promising opportunities and challenging threats could be derived. The young and English-speaking population, a broad base of suppliers, possible cost efficiencies, high growth rates in the emerging market as well as political stability represented major opportunities for German MEs. However, not in all cases the extent of benefits is as good as for larger firms. Still the market could be described as favourable from this point of view. Nevertheless, a deeper dive into the market shows several threats that force MEs to counteract and be prepared. Especially the bad conditions of infrastructure causing disruptions, the idiosyncrasies of the Indian culture being substantially different from the German as well as various problems due to heavy bureaucracy and corruption deteriorate the impression and reveal the actual challenge India as a sourcing market for MEs represents. With a view to the two different industries, the situation for IT characterised by services appears much more favourable than automotive engineering with an actual flow of goods. In the end, profound preparation and long-term orientation, the challenge could be met and the adventure of India may begin.

