

environment and boost India's attractiveness as a manufacturing site. Still, India's business environment poses problems.

Expansion: Cons

Problematic Legal Environment The Indian legal environment, although endorsing the principles of the rule of law, struggles with corruption. The primary driver of corruption, in many observers' eyes, is the country's vast bureaucracy, a legacy of the previous centrally planned economy. Partial success in dismantling the License Raj has resulted in a civil administration that influences many aspects of economic life. Notably, Western high-tech companies run into problems with intellectual property violation. Patent infringement and business-process piracy are not uncommon.

Outmoded Labor Laws The legal system creates other complications. For example, India's labor laws, little changed since they were enacted after independence in 1947, make it difficult to lay off employees even if a company's fortunes hit hard times or the economy slows. Companies are reluctant to hire workers, given the risk of being unable to fire them if circumstances change. Necessary terminations are difficult to execute and often involve extensive negotiations and settlements. "[C]ompanies think twice, 10 times, before they hire new people," said Sunil Kant Munjal, the chair of the Hero Group, one of the world's largest manufacturers of inexpensive motorcycles.

Anticompetitive Legislation In addition, Indian laws bar companies with more than 100 employees from competing in many industries. These laws protect small enterprises operating in many villages scattered throughout India, often at the expense of larger-scale operations. Another challenge is high tariffs. These had been put in place to promote domestic production and still apply to many classes of imports, including some that are inputs into products manufactured by TCT. Some of India's labor laws discourage flexibility; for example, some prohibit companies from allowing workers to clock more than 54 hours of overtime in any three-month period, even if workers are willing to do so.

TCT Moves Forward

In late 2009, TCT began building a factory in Bengaluru, the center of India's Silicon Valley (see Map 20.1). The plant will make a full range of laser printers, from entry level to high end. The first production run has been set for June 2010. Logistically, TCT plans to supply the factory with components from its manufacturing facilities in Europe and the United States. Eventually, management plans to find local suppliers or backward integrate into the local production of those components. The scale of the production operation requires 150 to 200 production workers. TCT anticipates no problems in hiring a skilled labor force, given other companies' success stories. For example, the South Korean conglomerate LG looked to staff 458 assembly-line jobs at its consumer electronics factory opening in India. It required each applicant to have at least 15 years of education—a condition that translates into having both high school and technical college certification. Seeking a young workforce, the company also decided that no more than 50 workers could have prior work experience. Despite these restrictions, 55,000 people qualified for interviews.

TCT enlisted a U.S. engineering firm to supervise construction of its plant in Bengaluru. Upon completion, TCT will "turn over the key" to the on-site factory director, a U.S. expatriate sent to run the operational plant. This director reports to TCT's U.S. headquarters on production and quality-control matters. He or she will report to TCT India's managing director in New Delhi (the position made vacant by Hopkins's retirement) on all other matters, such as accounting, supply-chain logistics, finance, and labor relations. The managing director of TCT India, in turn, will report to the Asian Regional Office at TCT's U.S. headquarters.

Selecting a Managing Director

TCT prefers to fill executive vacancies by promotion from within the company. TCT uses a mix of home-, host-, and third-country nationals. In addition, TCT rotates its managers among its