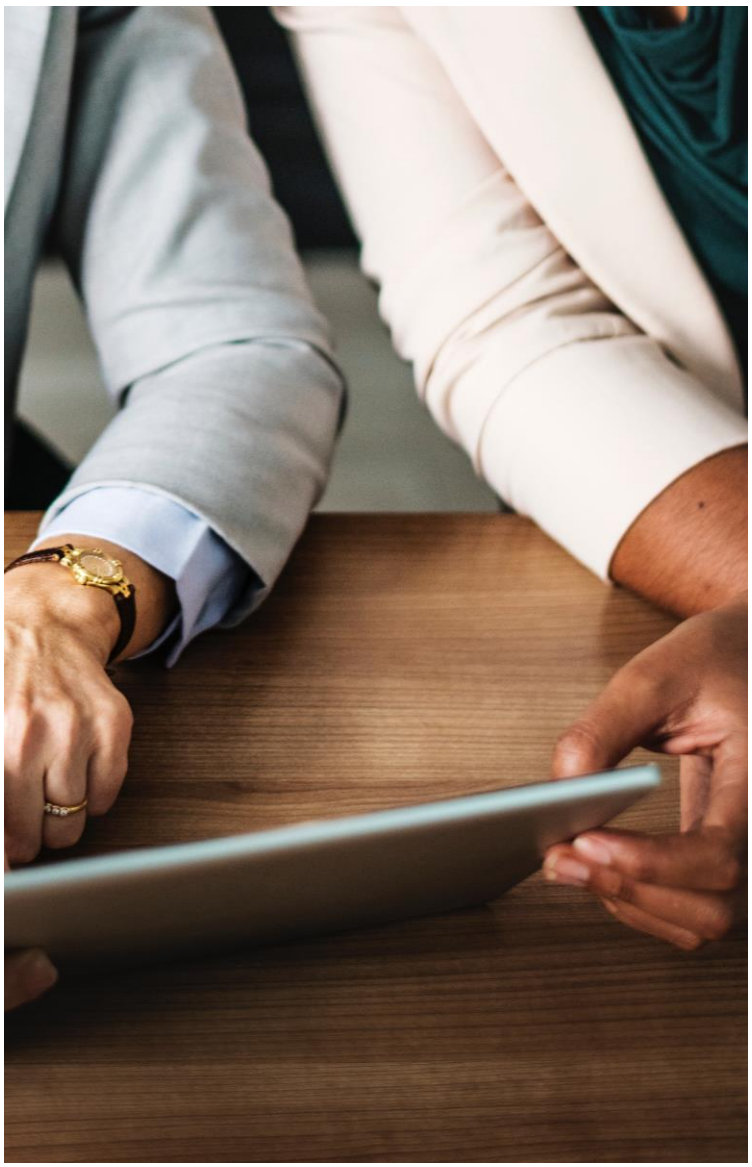
# CHALLENGES & POTENTIAL OF DOING BUSINESS FOR INDIAN COMPANIES IN GERMANY

Survey results 2019



A survey conducted among Indian companies in Germany

A joint initiative by

FICCI

meetra

GINSEP
German Indian Startup Exchange Program

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# FOREWORD BY THE EDITORS

India is one of the key global players of the 21st century, economically, politically, demographically, and is often referred to as a sleeping giant. Germany's role, on the other hand, is changing from a manufacturing and export nation and driver of the convergence of the European Union to a science and technology hub with growing global responsibilities. The two countries do have a long-standing good relationship with shared values and common interests which forms the basis for closer collaboration as well as more trade and investment in the coming years.

One of the areas of growth that is often neglected in this respect are Indian investments in Germany. Indian companies increasingly look for opportunities outside of their geographic region and the European market is one of their preferred targets. Within the EU, Germany is among the most interesting destinations due to the business potential it offers, especially now, with Great Britain becoming less attractive as a gateway to Europe. Germany is already second-most-attractive country for Indian foreign direct investment after the UK and the gap will surely become smaller in the post-Brexit era. According to recent studies there are more than 200 subsidiaries of Indian companies active in Germany currently, with more than 10 billion euros revenue and more 20.000 local employees. Revenue-wise the top-three sectors of Indian companies in Germany are metal and metal-processing industry, automotive industry and chemical and pharmaceutical industry. Looking at the number of employees the automotive industry ranks first, followed by the metal and metal-processing industry and, on the third place, professional, scientific and technical services, including the IT sector.

The authors of this study are private and public agencies active in the area of Indo-German collaboration. They wanted to know about the challenges and opportunities that Germany as a market and partner offers to Indian investments. They are not alone with this interest, of course, and there have been earlier studies around the activities of Indian companies in Germany and the potential they see, but data has not been collected on a regular basis.

With the 5th Indo-German Intergovernmental Consultations having been imminent, the three authoring institutions saw an opportunity to contribute some insights into the larger discussion. With their respective networks and joint efforts they decided to collect data from Indian companies that have been active in Germany, from larger corporates with traditional engagement in Germany to small start-ups which only recently identified Germany as an interesting site and market.

The results they found confirm what they observed in their daily work: Indian interest in Germany is growing on many different fronts, from research and development, to the start-up ecosystem, to larger investments - but there are hurdles that make it difficult at time. These hurdles are not only in the area of administrative tasks which often require specific knowledge and „hard skills“, but they often lie in the domain of „soft skills“ which are difficult to measure and to find technical solutions for.

One of the aims of the survey was not only to find out about problems, but to understand which solutions the participants of the survey found and to derive from that some insights about the existing and necessary support structures. The authors hope that that the readers of the survey summary find it as interesting to browse through as they found it when they were analysing and putting together the data. Moreover, they hope that it will be possible to conduct such surveys on a more regular basis, reaching out to more actual and potential companies and investors, and after all make it even easier for India and Germany to collaborate.

Berlin, February 2020

Amrit Mann, Jana Köhler, Dr. Christoph Senft
meetra

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# FOREWORD

India and Germany boast of a flourishing trade and investment relation. While Germany is one of India's most important economic partners, India and Indian companies doing business in Germany too have emerged as a key contributor to German economy. This mutually beneficial story will only grow stronger in times to come.

Apart from multi-layered efforts, engagements and initiatives, FICCI has also been supporting the cause of Indian industry through its Germany office by actively engaging with all the relevant stakeholders.

The report titled "Challenges and Potential for Doing Business for Indian Companies in Germany" which FICCI Germany office in partnership with German Indian Start-up Exchange Program (GINSEP) and meetra has come up with, is an endeavour to effectively define the contributions made by Indian companies and the challenges being faced by them while deepening their business and investment footprints in Germany. FICCI intends to make this initiative an annual one.

This study is based on a survey of Indian companies operating in Germany, and gathers first-hand information on the operational challenges they face: Recruitments, Visa, Taxation, Payroll etc. The other important challenge they face is inter-cultural differences, and this particularly impedes their growth.

A key strength of this study is its reflection on how Germany's need for digitisation, especially from Mittelstand, is acting as a key driver behind growing interest of India's Information Technology (IT) companies in this market. At the same time, the recent trend is more towards new age technologies such as Artificial Intelligence (AI), Internet of Things (IoT) and 4IR, and are attracting several start-ups from India. This emerging trend hints towards successful realisation of the innovative collaboration potential that the two democracies have.

I am confident that with every passing year, this survey will reach out to an even larger audience, and therefore the subsequent editions of the study shall help draw due attention to the everyday challenges that Indian companies must overcome in order to successfully operate in Germany.

I trust the study would be a "Good Reference Material" for the stakeholder in business, academia and politics and would eventually act as a catalyst for further strengthening India-Germany economic relationship.



Dilip Chenoy

Secretary General
FICCI

# 1. INTRODUCTION



In the context of the Intergovernmental Consultations between India and Germany, which were held in New Delhi on 1st of November 2019, the Federation of Indian Chambers of Commerce & Industry (FICCI), the German Indian Startup Exchange Program (GINSEP) and meetra jointly conducted a survey among Indian companies in Germany.

The objective of the survey was to understand the challenges that Indian companies face while starting and operating in Germany, and how these could be addressed in order to facilitate Indian business ventures in Germany.

In the following the results of the survey are made available to the general public. Some of the most interesting results are highlighted and interpreted in Chapter 2 to 4 of this document. Chapter 2 gives deeper insights into the status quo of Indian companies and entrepreneurial activities in Germany. Chapter 3 addresses the challenges that participants in this survey faced during their business activities in Germany. Chapter 4 goes into more detail about the support services that were used so far, also indicating which support structures might be helpful in the future. In the appendix, finally, the complete set of results of the survey is provided.

# 2. NEW ECONOMY ON THE RISE

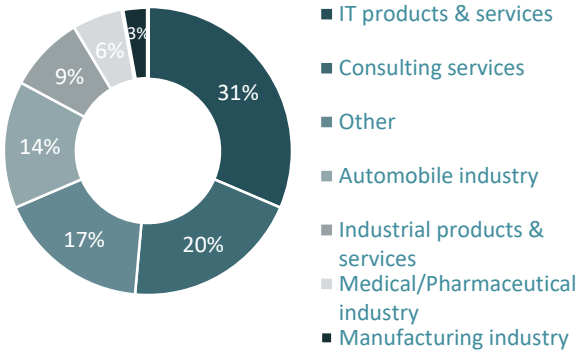


Among the most interesting questions concerning Indian business activities in Germany is, of course, in which sectors Indian companies are mostly active. In comparison to older studies where companies from the metal, chemical and pharmaceutical sectors stood in the foreground, the participants in this survey were predominantly from the IT sector. Almost one third of the participants offer IT products and services.

Not by coincidence, this area has been defined as one of the focus areas for developing Indo-German collaboration during the 5th Intergovernmental Consultations between India and Germany. The joint statement which followed includes a number of passages which encourage and foster Indo-German exchange on various levels in the field of IT and other modern technologies.

It seems like one of the core strengths of the Indian economy, the IT sector, is expanding its activities to Germany. A few multinational corporates of Indian origin have been active in Europe ever since the first IT wave around the turn of the millennium, but a second wave of companies is following now. Apart from large corporates this time also SMEs, start-ups and young entrepreneurs are looking towards Germany. With its high demand for digitalisation, expertise, skills and services Germany happens to be the ideal entry market to the European Union for Indian IT companies.

1.1 Field of activity




*This graph shows in which fields the participants of the survey conducted by FICCI, GINSEP and meetra in October 2019 are active. It does not represent the activities of all Indian companies in Germany.*

**Fields of activity**

India has been well-known as an IT hub for quite some time now. It does not only provide highly qualified personnel for IT companies around the world, but also produces more and more companies itself which are catering to the needs of the digitalising global markets. Germany is not an exception here, but the interest in the German market did not have the highest priority for many Indian companies in comparison to other markets for the longest time.

Accordingly, only larger and internationally active Indian companies have a long-standing presence in Germany, Indian SMEs and start-ups have started to settle in Germany rather recently. And even the larger corporates have mostly remained unseen to the general public due to their focus on business activities in the B2B sector until now. This is changing on several levels: On the one hand, activities of large Indian companies in Germany as gateway to Europe is increasing, on the other hand, smaller Indian companies and start-ups have also identified Germany as an interesting market. They are increasingly offering highly competitive products and services for international markets.

This development has surely to do with a changing balance in the global economy, but also, in the specific case of Germany and India, with the massively growing number of Indian students at German universities who better understand business opportunities and build networks and connections in Germany.

This survey also reflects these observations with **31%** of the survey participants from the field of IT products and services. Revenue-wise the IT sector is still not the most relevant, of course. According to an EY survey from 2018 about Indian investments in Germany, professional, scientific and technical services, under which the IT industry falls, still ranks fourth behind the metal and metal-processing, automobile, and chemical/pharmaceutical industry. The IT industry does, however, offer the highest potential for growth, especially considering the upcoming challenges of digitalisation for the German economy across all sectors and the lack of IT experts to undertake this transformation.

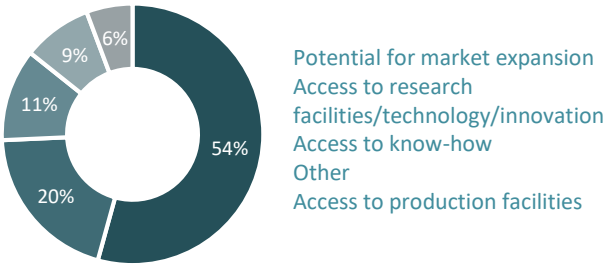
**Reasons for expanding to Germany**

*„…a reputation in Germany lends credibility to sales elsewhere.“*

Consequently, it does not surprise that **54%** of the survey participants stated that the reason for coming to Germany is the potential for market expansion. Traditional German companies such as automobile manufacturers and the German “Mittelstand” with its hidden champions enjoy a good reputation in India.

German companies are associated with high quality work and seen as reliable clients and partners. Similarly, study and research facilities are considered to be of high quality.

1.2 Reasons for expanding to Germany




**31%** stated that access to research facilities, technology, innovation and know-how were important reasons for them to expand to Germany. Thus, Germany is seen as technology hub with much demand for Indian IT expertise.

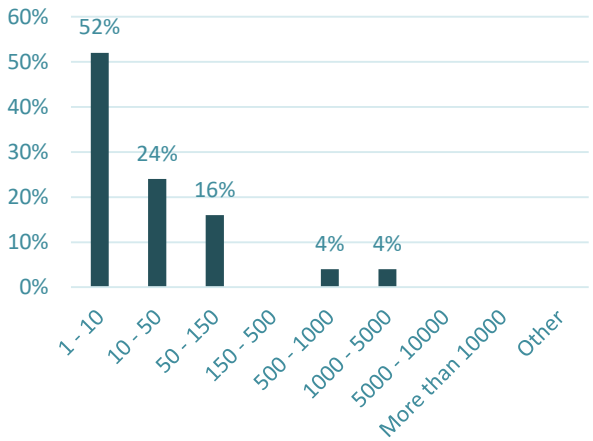
*"…it [Germany] is a good place to grow a business - there is a strong pull for technological services and products and capital for investment into new technologies."*

**Number of employees**

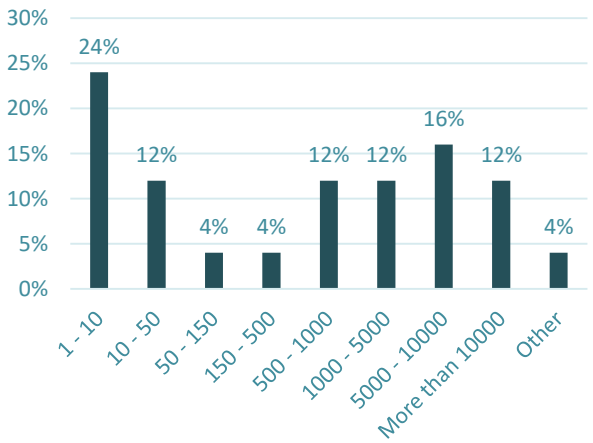
The survey participants were asked to state the number of employees at their location in Germany, as well as the number of employees globally. **52%** of the participants stated, that the number of employees of their company location in Germany lies between 1-10 employees. Taking reference to chart 1.7, which states the type of FDI pursued at market entry, it can be assumed that this number correlates to a large extent to the companies which entered the German market as start-ups.

But also the remaining results show that the number of employees of Indian companies in Germany is rather small, with **24%** stating that they have between 10-50 and **16%** that they have between 50-150 employees in Germany When these numbers are compared to the numbers of employees globally it becomes clear that there are several companies that are represented by only a few employees in Germany despite of the fact that they are large global players. Only **24%** of the participants answered that they have 1-10 employees internationally. In contrast to that **44%** have more than 1.000 employees worldwide, out of which **32%** even have more than 5.000 and **16%** more than 10.000 employees.

1.4 Number of employees in Germany




1.3 Number of employees global



India has substantially lower labour costs which is an advantage of the location-independent work in IT as well. It can be assumed that in the future many more Indian IT companies will sell IT services and support abroad that are "produced" in India. Accordingly, the number of sales and marketing as well as liaison offices in Germany are likely to increase. The latter is less labour intensive than, for example, manufacturing, which, in return, is too expensive in Germany because of high labour costs.

**International business activities**

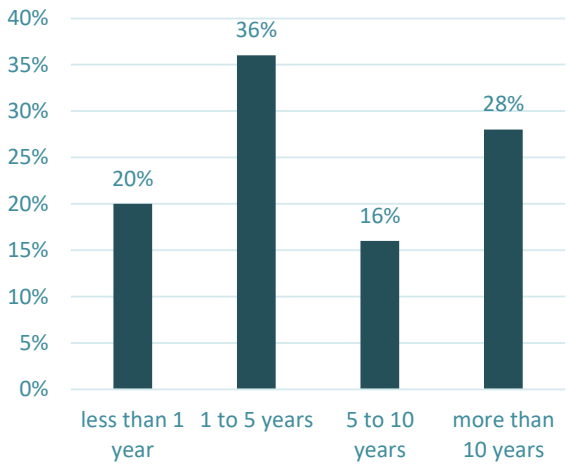
The Indian strategy here will probably not be limited to Germany alone as many companies are active in several countries simultaneously. Chart 1.5 (Appendix) shows that **44%** of the survey participants are from large companies which are active in more than ten countries. They usually have prior internationalisation experience and organisational structures which allow strategic market entries. However, **28%** also state that they are only active in India and Germany so far. Therefore, Germany seems to be an interesting starting point for companies that do not have any international outreach yet. The German government attracts with incentives like Germany Trade & Invest, a national body aiming to facilitate foreign investments into Germany. Furthermore, federal states offer regional investment agencies that offer free support to foreign companies.

**Duration of activity in Germany**

The activity of Indian companies in Germany has increased in the past five years. More than half of the survey participants have been active in Germany for less than five years. Start-ups fall in this category, but also established large enterprises which are increasingly looking towards Germany for internationalisation purposes. The potential for market expansion, the reputation of German products and the strong industry with its need for digitalisation and sales potential attract Indian companies. As mentioned above the German market looks particularly promising for providers of IT products and services.

Brexit co-catalysed the increasing interest of Indian companies in Germany. Until it became clear that Britain wants to leave the EU, the UK was the preferred place to invest in Europe. But the new situation created political instability that has a negative impact on foreign direct investment. Germany is seen as strong and stable economy that allows save investment and is more and more considered to be the primary gateway to Europe.

1.6 Duration of activity in Germany



Yet, Germany is not a completely new market to Indian companies. **28%** of the survey participants have been active in Germany for more than 10 years.

*"…stable political environment, easy access to most of the information, easy accessibility to other European countries."*

These companies include major IT products and service providers and companies from the chemical, manufacturing and automobile sector which have a long-standing presence in Germany. These results allow the interpretation that interest and investment in Germany have taken place in two waves with the first wave being in the 1990s and early 2000s, after the Indian economy was liberalised and the first corporate global players from India came into being. The second wave is currently taking place with emerging markets especially in Asia catching up with the forerunners of the global economy. Asian investment and business activities abroad, not only from India, will dramatically increase in the years to come.

**Type of foreign direct investment**

Half of the survey participants identify themselves as start-ups (see chart 1.7). As described earlier, the ratio between the number of global employees to the number of local employees in Germany suggests that these start-ups could also be subsidiaries of large Indian corporates or companies which are already successful on the Indian or international market. The rest of the participants are equally distributed between greenfield investments, merger or acquisitions and other forms of market entry which includes self-employed persons. There are no Indo-German joint venture projects represented in this survey.

# 3. GERMANY – LAND OF CHALLENGES AND OPPORTUNITIES



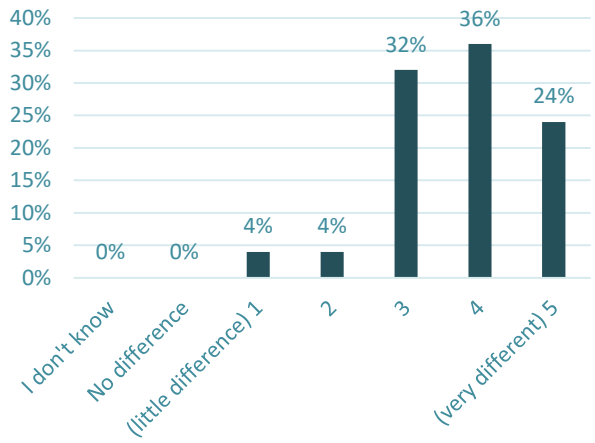
The survey participants were asked about challenges and difficulties they faced during their international expansion to Germany. These might have occurred before coming here, during the set-up of the business in Germany or within daily operations.

Interestingly, and contrary to other existing studies in this field, language skills and intercultural differences are a major challenge to Indian companies doing business in Germany. The impact of this difficulty extends to multiple areas of doing business, e.g. communication, networking, hierarchies or customer acquisition.

Recruiting issues turned out to be another severe difficulty Indian companies are facing in Germany. In the case of local recruitment the "war for talents" complicates matters. The Indian labour market is essentially the opposite to the German labour market regarding the availability of young professionals. Therefore, Indian companies might underestimate the competition. But also language issues and cultural differences play an integral role in recruitment. For international recruitment visa issues are the major inhibitor. Slow and untransparent processing of visa make reliable and timely recruiting from abroad difficult. The Skilled Immigration Act, which will be enforced on 1st of March 2020, is intended to remedy this situation.

## 3.1 LANGUAGE IS THE KEY

5.7 Company culture in Germany



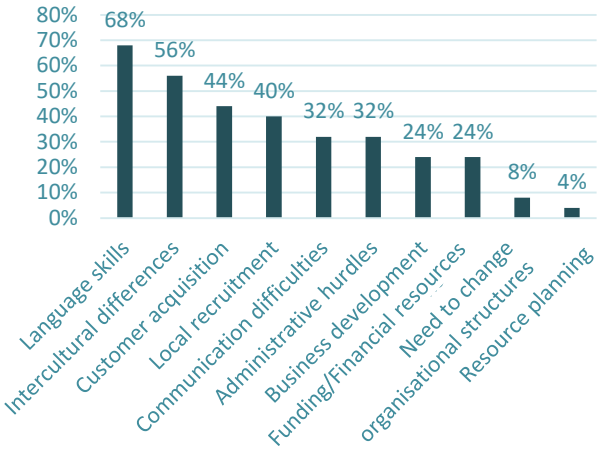

**Company culture**

A major challenge for Indian companies doing business in Germany are differences in company culture between Indian and German companies. **92%** of the survey participants see a medium to high level of differences in company culture between India and Germany. Difficulties in understanding the other company culture do not only affect the company and its performance internally, but also the company's external behaviour, which in turn can affect various facets of doing business e. g. successful networking, communication habits, coordination processes, recruiting and many more.

*"Language skills and integration are a must from the first week in Germany."*

Furthermore, the participants were asked to evaluate the top challenges which they experienced while doing business in Germany (multiple answers were possible). The results are summarised in chart 6.1.

6.1 Top challenges (multiple answers possible)




**Language skills**

The biggest challenge turned out to be missing language skills, which were faced by **68%** of the survey participants. With Germany's role as export-focussed nation one would assume that bureaucratic processes are adapted to international requirements, e. g. by providing English language information and support structures. However, this is often not the case and it is not possible to solely rely on English language skills when doing business in Germany. Most of the administrative and bureaucratic tasks still need to be performed by a German speaker, English language skills cannot necessarily be expected on the German side.

Language skills also play an important role when networking is required. In order to successfully build up business collaborations, partnerships and other forms of business relationships knowledge of German language is not only useful but mandatory. It allows to communicate facts and intentions without misunderstandings, and it can help to build trust between business partners.

**Intercultural challenges**

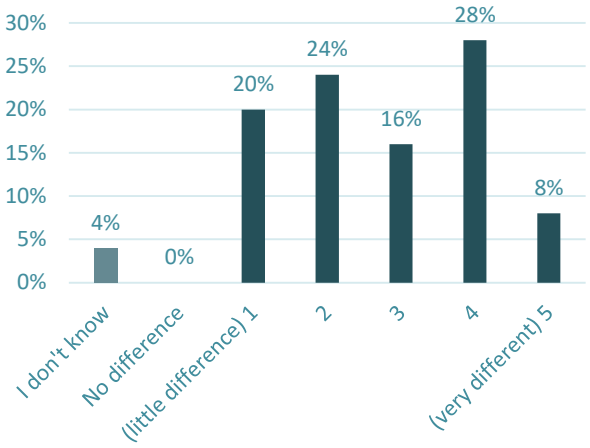
The second most relevant challenge for Indian companies were intercultural differences. **56%** of the survey participants stated that intercultural differences hindered them from successfully doing business in Germany. Intercultural differences occur in several areas: from interpersonal communication and daily business activities to negotiation processes to the format and content of contracts.

The process of internationalisation itself can also cause intercultural problems – often internally. During early phases of internationalisation local subsidiaries mostly consist of deputies of the parent company in India because local recruiting is too difficult at the beginning. Consequently subsidiaries are strongly influenced by the company culture of the parent company. This leads to an internal clash of cultures in the country of destination, especially when deputies from the parent country adapt to the country of destination in terms of (business) culture or ways of handling situations. Exemplary areas in which these culture clashes appear are different attitudes towards risk aversion between product/service providers and clients, the level of detail in planning processes, distribution of responsibilities, decision-making processes, independence, communication standards across and within companies, the relevance of hierarchies or definition of work packages.

**Hierarchy**

Generally, companies in both countries traditionally follow rather hierarchical company structures. However, the nature of hierarchical structures is not necessarily the same.

5.6 Hierarchies within the company




**96%** of the survey participants stated that hierarchies within the company differ between India and Germany, out of which **52%** stated that they differ at a medium to high level. Hierarchies in Indian companies are expressed through, inter alia, job titles, regular reporting habits or inclusion of the supervisor during all steps of a process. In Germany, on the other hand, micromanagement is regarded as unproductive and supervisors usually prefer not to be included in all steps of a process. Instead, they like to receive final results which have been processed independently by the person in charge.

For a person who is only familiar with his or her own company's hierarchical environment these differences in behaviour can be difficult to comprehend. Understanding cultural habits and rules of communication are useful when there is a need to identify the root of deviant behaviour. Misjudgement and disruptive behaviour can impair or even delay processes or projects.

Startups are excluded from this as they usually tend to have flat hierarchies and fast decision-making processes. This applies to startups in general, including Indian and German startups.

Against the backdrop of a growing number of foreign employees in startups in Germany it is important to notice, that they do not struggle with hierarchical differences as much as employees in corporates do.

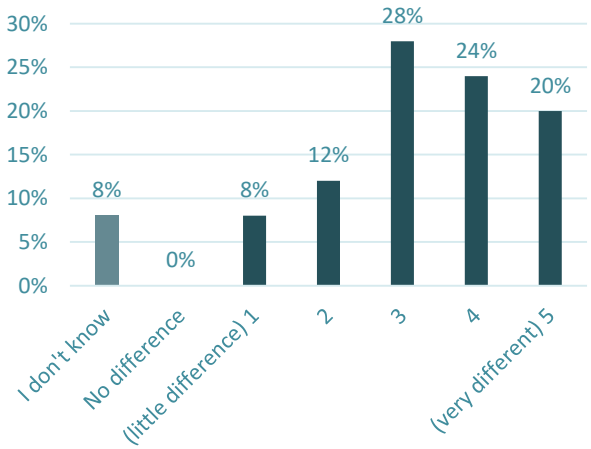
**Communication**

**92%** of the survey participants stated to have experienced differences in communication standards between employees and supervisors, and a total of **96%** agreed that there are differences in communication standards with customers. Perceiving differences in communication standards is crucial when doing business in a different country. Coordination processes, networking, customer acquisition or follow-ups require standardised communication and are essential for the company's performance. Language issues and a lack of knowledge on intercultural differences can have a negative impact on the ability to fulfil communication standards which are different from the own. It is crucial to understand in which manner, through which channels of communication or how often to contact a specific person about something. This is difficult when the respective cultural understanding and background is missing. Being unaware of the expected and appropriate way of communicate on may cause misunderstandings.

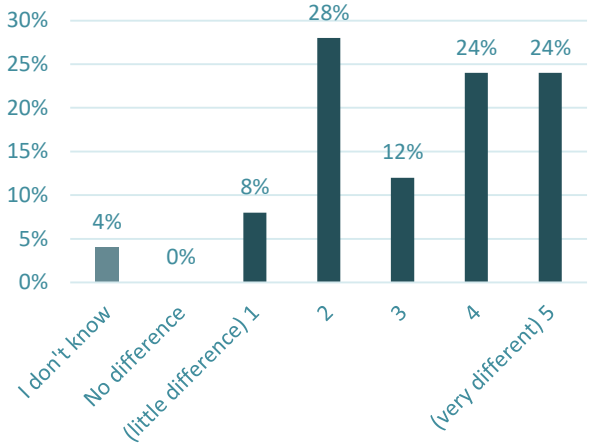
Exemplary for this is the way feedback is given in Germany vs. India. In many cultures, including India, feedback is given in a soft and indirect manner in order to not step on anyone's feet or embarrass them in front of others. It is determined by factors such as hierarchy, relationships and the contextual setting.

Contrary to that, Germans give feedback in a very direct manner. The personal relationship, hierarchies and contextual classification usually do not play a role when giving feedback. For them, criticism is a tool used to improve and therefore should be conducted in the most efficient manner.

5.1 Communication with employees and supervisors




5.2 Communication with customers



## 3.2 BUILDING STRONG NETWORKS FROM SCRATCH

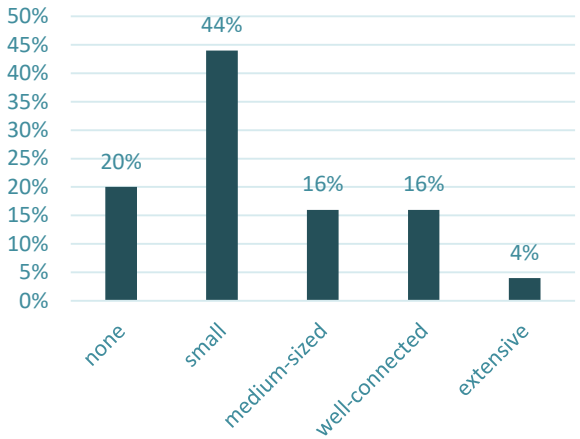
Networking activities and building of business networks is substantial for a company in today's quickly transforming economies. Innovation and co-creation are the approaches companies are striving towards. Exchanging knowledge and know-how with partners and customers is perceived as a promising way to attract business in the long-term. Another aim of networking activities is to give the company access to regional ecosystems and know-how. The structure of a network can vary depending in the companies requirements. Having an adequately sized business network is a valuable asset, but in order to do so they have to build it up first.

**Having networks, forming new ones**

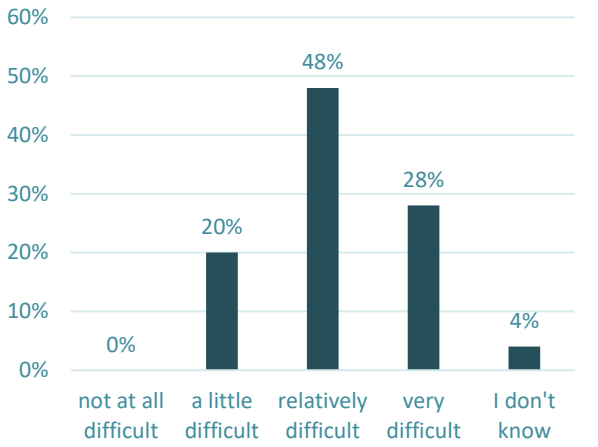
Only in a few cases Indian companies which settle in Germany have pre-existing business networks. **20%** of the survey participants stated that they had no business network at all before coming to Germany and **44%** stated that they had a small network. Thus, two thirds stated that they did not have any or just a small network before coming here, while at the same time **76%** say it is quite difficult to form a business network in Germany.

The success of networking activities of a company doing business in Germany is closely linked to the previously mentioned challenges of missing language skills and intercultural differences. Language skills and understanding the local business culture allow representatives of an international company to successfully and efficiently communicate with potential business partners.

4.1 Business network in Germany (before coming to Germany)



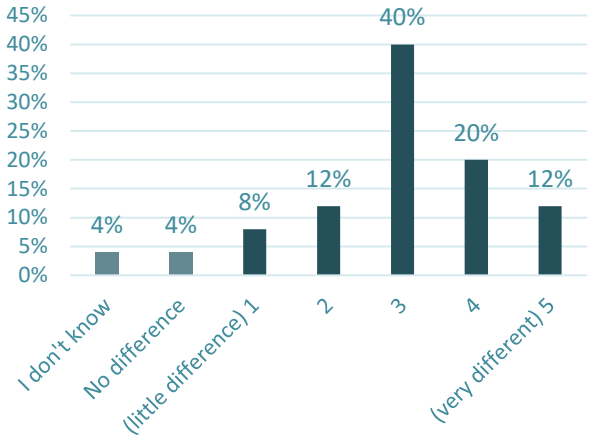

4.2 How difficult is it to form a business network in Germany



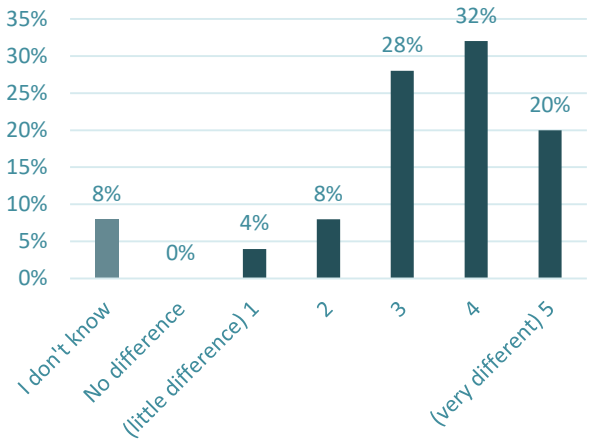

**Market access and customer acquisition**

A result of successful networking activities are market access and customer acquisition. Market access is generated through good networks which allow a company to be a part of the local market and ecosystem. Having access to the local market is necessary in order to see what partners and competitors do and how the market is developing. It also gives companies access to suppliers, customers, business and

5.5 Gaining access to markets




5.4 Acquisition of customers




research partners and other entities which can be interesting for various forms of collaboration.

*"It is hard to capture customers if you don't know the German language."*

Furthermore, having access to markets means visibility in the market which in turn can be used as marketing and sales channel for the company itself. **72%** of the participants stated that gaining access to markets differs at a medium to high degree between India and Germany. Considering the size of the pre-existing business networks of Indian companies in Germany and the difficulties they face when trying to build a business network in Germany, it becomes clear that many Indian companies have difficulties when it comes to activities related to gaining market access.

A similar situation can be observed with regard to customer acquisition. **92%** of the survey participants stated that customer acquisition differs between India and Germany, with **80%** of them saying it differs to a medium to high extent. An example is the way trust is build between business partners. In the Indian business context trust has to be built between two counterparts before business is conducted. This can be done by getting to know each other on a personal level, often including family members. Once a personal relationship has been built the involved parties are open to go on and do business with each other. In the German context this is done the other way round. A successful business relationship is the deciding factor on whether or not the business partner is to be trusted. Personal relationships are avoided in the professional context. Small talk is, in the most cases, limited to politely enquiring how the counterparts are feeling today or the weather and does not include inquiries about family background, political opinion or financial issues.

## 3.3 THE "WAR FOR TALENTS"

The Indian labour market is very different to the one in Germany or in other European countries. Accordingly, the way recruitment is approached differs substantially between these countries, which makes local recruitment in Germany a challenge for Indian companies.

Millions of jobseekers are entering the labour market in India every year and the number of enrolled students is steadily increasing. With an average age of 26 years, India has one of the largest and youngest workforces worldwide. Recruiting in India means choosing from a big pool of talents. In contrast, the labour market in Germany is fiercely contested. Companies are struggling with a lack of qualified workforce in the so-called "war for talents". To attract suitable candidates in Germany, companies have to invest in employer marketing and compete for the most wanted talents.

Also the recruitment processes of graduates differ fundamentally between both countries. The predominant recruitment system for graduates in India is the so called 'campus recruitment'. On specific days companies come to the campus and recruit on-site.

In Germany, recruitment of graduates is achieved through employer marketing and networking events (e.g. job fairs, student workshops,…) where companies make themselves known and spark the interest of potential candidates.

Effective employer marketing requires comprehensive knowledge of the local labour market, recruitment channels and an adequate assessment of candidate expectations.

This does not only refer to monetary expectations, but also the readiness of information. Job ads in Germany are usually organised in three major parts, namely the job description, the candidate requirement and what the company has to offer to the candidate. Although not always, but often, job ads in India consist of candidate requirements only, leaving out the job description and what the company offers to the candidate. If such job ads are used in the German recruitment context, they usually do not generate the response a company hopes for.

*"Talent finding is difficult, especially outside of main city areas."*

Language barriers and communication errors between recruiters and candidates can lead to misunderstandings and have adverse effects on recruitment processes. Among others, the speed of decision-making processes and adequate career perspectives are relevant and determining factors for successful recruiting in Germany. Other factors which affect recruitment can be a lack of familiarity with the local education landscape, difficulties in evaluating qualifications and professional experience or not knowing the right recruitment channels.

## 3.4 BUREAUCRACY THWARTS BUSINESS

**Visa**

**60%** of the survey participants faced obstacles in the area of visa and taxation.

Visa offices in India are overwhelmed and it is quite common to face months of waiting time to get an appointment. Many parties are involved in the process which makes it untransparent, with a single point of contact missing throughout the process. Long waiting time and complex processes can cause delays of business operations and present a major risk for companies which are active in Germany. These conditions do not only apply when someone is hired from abroad, but also in the case of short-term business trips. Also the visa framework for international founders in Germany is quite restrictive in terms of duration of stay.

The Skilled Immigration Act, which will be enforced on 1st of March 2020, hopefully will make visa and work permit processing easier. This act extends the immigration of skilled professionals from areas of skill shortage to array of other professional areas. This applies to professionals with academic training as well as to professionals with non-academic training, e.g. vocational training. Prerequisite is the official recognition of the qualification in Germany.

Companies will have the possibility to opt for an expedited visa procedure for qualified professionals. The duration of the administrative procedures to issuing the visa will be significantly shortened in this expedited procedure.

Furthermore, the priority check, in which the Federal Employment Agency checks whether an applicant from Germany or the EU is suitable for the position, will no longer be conducted.

IT professionals have a special stand in this act. They are exempted from the the obligation to have a qualification recognised in Germany. A proof of professional experience of at least three years may replace a certificate of professional qualification. The aim of this amendment is to address the shortage of IT professionals in Germany.

**Taxation**

Further administrative difficulties were faced regarding the German tax system. This system is complex and contains several specific tax rules which only apply in certain cases, e.g. travel expenses, amortisation and many more. The complexity of the tax system makes it difficult for international companies to create a realistic and reliable financial plan and fulfill the strict bookkeeping requirements. Interaction with tax authorities, bookkeeping and the creation of financial reports requires know-how of German language and expertise of the German tax system and legal framework. Indian companies therefore are often required to rely on external specialists to fulfil these requirements.

# 4. SUPPORT SERVICES FOR INTERNATIONAL NEEDS

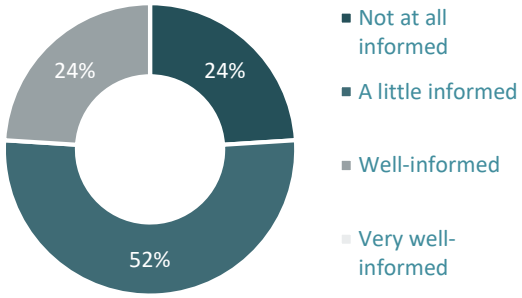


Several public initiatives and private companies foster Indo-German collaboration. Public initiatives include German and Indian regional business development programmes, chambers of commerce and government-funded projects to support Indo-German economic focal points. Private companies are consultancies, legal advisors or project managers with a professional focus on the Indo-German context. Both sides offer support services and provide access to local networks, ecosystems, etc. with the aim to foster Indo-German business collaborations.

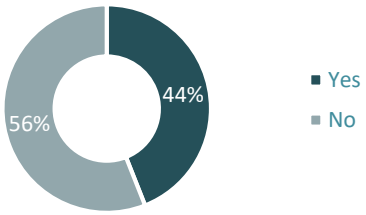
However, some of them seem not to be well-known with a substantial amount of participants stating that they felt little or not at all informed about support structures. Considering the challenges the companies stated to have faced it is surprising that not even half of them made use of support services.

After the Intergovernmental Consultations between India and Germany a joint statement was released which aims at an extension of existing support services and the creation of further support services with the aim to foster Indo-German exchange in the economic area, among others.

2.1 How well-informed are companies on support services?




2.2 Were support services used?




The companies were asked about how well they feel informed on available support services for Indian or international companies doing business in Germany. **24%** answered that they were not informed at all, **52%** stated that they were little informed and **24%** said that they felt well-informed. No one stated to feel very well-informed about support services.

The survey participants were also asked if they made use of any kind of public or private support service. **56%** stated to have not made use of support services at all.

However, a broad range of support services are available for Indian/international companies doing business in Germany, some state sponsored and some chargeable. They aim at supporting international companies which require help in understanding and performing on the German market. Support services operate on a large scale, depending on their focus areas.

They can help with recruiting and HR related issues or administrative issues as taxing and payroll. Additionally, support services can also provide access to local ecosystems and networks. This can speed up the process of building up a local sites of operation, enable network building processes and help the company understand the local landscape of business partners and competitors. Some specialised private support agencies even offer operational support with German experts as non-permanent team members who pitch in wherever help is needed, from defining strategies to training international staff regarding local business specificities to bridging language barriers or representing companies together with their respective management in important meetings.

*"The current business environment in Germany is very positive."*

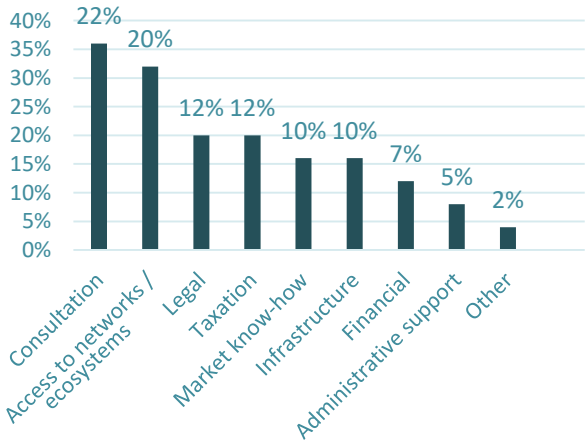
The use of support services from company side is rather low. The problem is not a lack of supply but a lack of information on existing services. One reason for this could be the lack of interaction and collaboration between the involved parties. Additionally, a single point of contact which passes on information and connects consumers and providers of support services could help to coordinate a targeted approach of Indian companies in Germany. Without a central point of contact many companies cannot make use of such an ecosystems.

Another problem is the project-based nature of publicly funded support services. They are based on pre-defined funding periods.

An extension into the next funding period is not guaranteed which makes the ecosystem very volatile.

The coming years look promising regarding support services which are active in the Indo-German context because of the joint plans of the German and Indian government as they were formulated after the Inter-governmental Consultations in November 2019. Companies who took support, largely sought it in general consultation services or access to networks and ecosystems. Other areas where support was required were visa-related services.

2.3 Which kind of support services were used?




*A number of publicly funded support services are listed on page 24. These include international, national and regional support services.*

# CONLUSION



Indian business interest in Germany has existed for quite some time, but lately the number of market entries has been increasing. Large Indian corporates have a long-standing presence in the fields of metal and the metal processing industry, automobile industry, chemical and pharmaceutical industry and IT products and services. The latter however is gaining momentum and promising growth potential. IT products and services are one of the areas of expertise of Indian companies and Germany needs these experts.

The current political situation in some European countries and the attractiveness of the German market are two factors which convince Indian companies to invest. They are not shy to start their business in Germany because it has great market potential. Furthermore, Germany's central location at the heart of Europe makes it a good geographical and economic center for further expansion into the European market. But unlike doing business in anglophone areas, they face serious language issues in Germany. Also, cultural differences are not as well known as with some countries in the English-speaking world, where a long-standing professional and cultural relationship is in place, e. g. through the internaction in the Commonwealth.

Indian companies are highly interested in the German market. At present a large and promising market potential can be seen in the IT sector. This is created through a number of factors, including the German “Mittelstand” companies with their hidden champions, which generate considerable revenues in global markets. In order to stay competitive in the future, these companies are facing a high need for digitalisation, which cannot be served by the German market which is restricted through its skill shortage. These companies attract Indian IT companies with their long-standing stable character and a global presence.

Entering the German market does come with challenges. The two biggest ones which have emerged from this study, language issues and intercultural differences, are often labelled as soft facts and therefore underestimated. However, looking at them in a wider context, it becomes visible that these two challenges have an impact on fundamental parts of the entrepreneurial activity of a company. They are essential in areas the company has to represent itself, e.g. marketing, recruiting or networking activities with the aim of customer acquisition or building up of innovation-oriented partnerships and collaborations. The ability to communicate in a goal-oriented manner and without misunderstandings is necessary in order to achieve the company’s objectives. Indian companies doing business in Germany should address language issues. Furthermore, a constant effort of familiarising themselves and their employees with the characteristics of doing business in Germany can help to conduct business activities in a resourceful manner.

While German companies are aware of the skills of Indian IT companies, they tend to be hesitant in entering business relationships. Reasons for that include cultural differences, discrepancies in work-culture and language barriers. Bringing Indian and German companies together so that they can get to know each other and the respective working methods can be beneficial in overcoming uncertainties and foster interest in further collaboration.

More collaboration between and joint initiatives of existing support services are needed to foster exchange between Indian and German parties. Centralised points of contact for Indian companies doing business in Germany can help to close information gaps and meet information needs. Indian companies need guidance and hands-on operative support in order to successfully bridge the barriers and overcome the challenges that doing business in Germany entails.

Although in this survey several challenges are highlighted and Indo-German collaboration seems to be difficult, it should not discourage Indian companies from doing business in Germany. It has been consciously decided not to refer to these challenges as “difficulties”, but as challenges because they can be overcome with some effort. The companies who took part in this survey were asked in a final optional question about whether or not they would recommend other Indian companies to enter the German market. **88%** of the survey participants would recommend other Indian companies to come to Germany.

The reasons stated here include the market potential, the technological advancements and skillsets, the opportunities the German market offers, the high quality of products and respective pricing, the access to the European market, the stable political situation and a business-friendly environment. Advice given to other companies who are interested in entering the German market was to go through a thorough preparation phase, follow a clear local strategy and be prepared for bureaucratic issues.

A last reason which may encourage Indian companies to enter the German market is given by the joint statement released by the Government of India and the Government of Germany after the 5th Intergovernmental Consultations. Fostering and encouraging Indo-German business relations in a wide range of professional areas is a focus point for the coming years. Furthermore, Germany is slowly opening up towards the global labour market and adjusting relevant regulations with the aim to attract and invite international companies and professionals. Therefore an even more business friendly and open environment can be expected in Germany in the years to come.

# LIST OF PUBLICLY FUNDED SUPPORT SERVICES

- Bayerisch-Indisches Zentrum für Wirtschaft und Hochschulen (BayIND)
- Bundesministerium für Wirtschaft und Energie (BMWI)
    - Fit for Partnership with Germany: A management training programme for executives from international companies.
- Confederation of Indian Industry (CII)
- Federation of Indian Chambers of Commerce & Industry (FICCI)
- German Consulate General (Bangalore, Chennai, Kalkutta, Mumbai)
- German Embassy New Delhi
- German Indian Start-up Exchange Programme (GINSEP)
- Germany Trade & Invest (GTAI)
- Embassy of India Berlin
- Consulate General of India (Frankfurt, Hamburg, Munich)
- Indo-German Chamber of Commerce (IGCC)
- IQ-Network (service for immigrants)
- ProRecognition (recognition of professional & vocational qualifications for Germany)
- Regional business promotion agencies, e.g. Invest in Bavaria, Hamburg Invest, Frankfurt Rhein Main GmbH, …
- Regional offices of the German Chambers of Commerce and Industry:
  Industrie und Handelskammer (IHK)

# APPENDIX

In the context of the Intergovernmental Consultations between India and Germany on November 01, 2019 in New Delhi, the Federation of Indian Chambers of Commerce & Industry (FICCI), the German Indian Startup Exchange Program (GINSEP) and meetra, jointly conducted a survey among Indian companies, entrepreneurs and start-ups in Germany. The objective was to understand the challenges they face while starting and operating their business, and to provide insights which help to improve support structures for Indian business activities in Germany.

All Indian companies doing business in Germany were invited to participate in this survey. The survey was sent to all known Indian companies who are doing business in Germany by the Federation of Indian Chambers of Commerce & Industry (FICCI), the German Indian Startup Exchange Program (GINSEP) and meetra. The survey results were collected anonymously.

A total of 88 participants took part in the survey, out of which 25 completed it. For reasons of comparability only completed surveys were used for the evaluation. The survey results are based on the 25 completed surveys.

The answers given in questions *1.1 Fields of activity, 1.2 Reasons for expanding to Germany, 2.3 Which kind of support services were used?, 6.1 Top challenges* and *6.2 Which are your major goals for the next years* are based on multiple choice questions which means that multiple answers were possible per survey participant. The results of these questions were calculated to percentage for better understanding.

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2. Support services for Indian companies in Germany.
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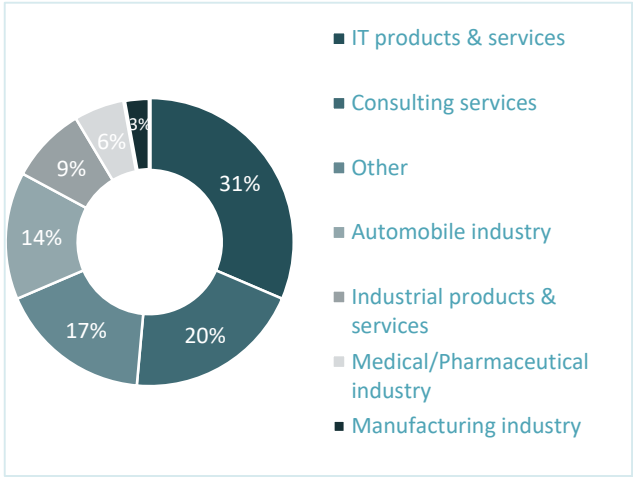
4. Doing business in Germany.
    4.1 Business network in Germany (before coming to Germany).
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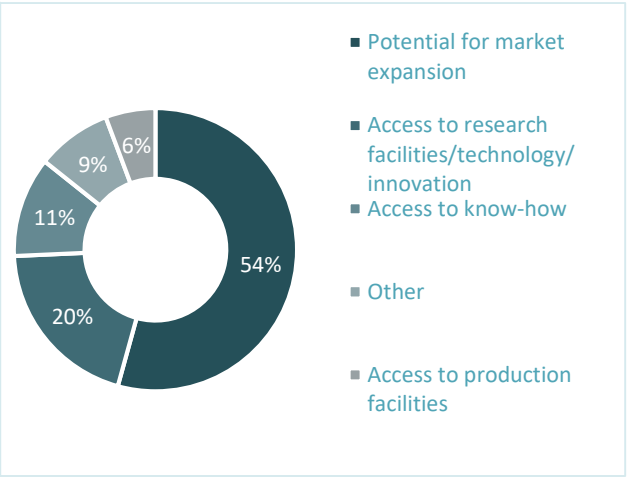
6. Future perspectives of doing business in Germany
    6.1 Top challenges
    6.2 Which are your major goals for the next years

## 1. General company information

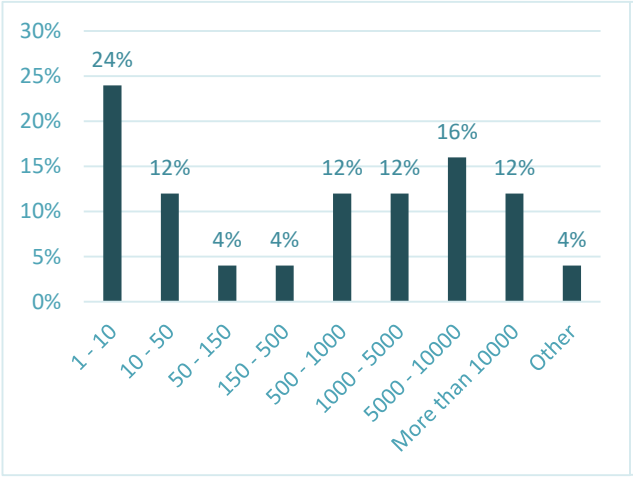
1.1 Field of activity



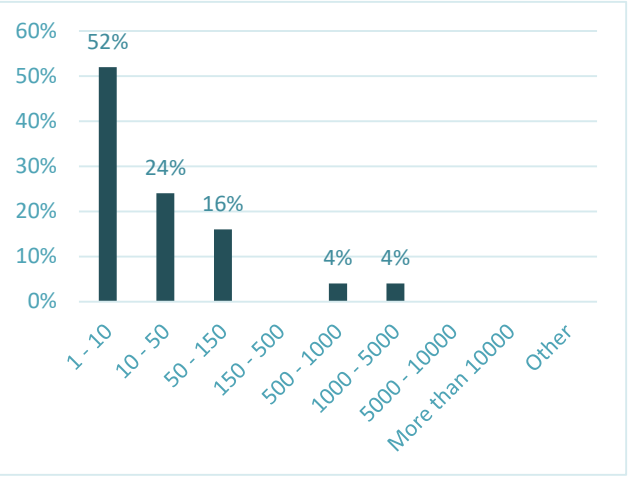

1.2 Reasons for expanding to Germany



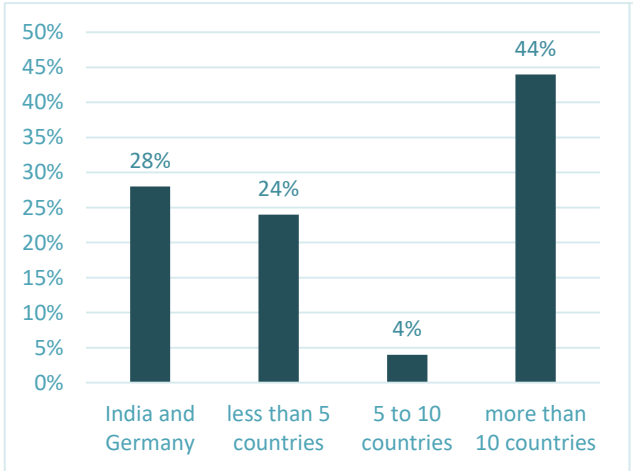

1.3 Number of employees (global)



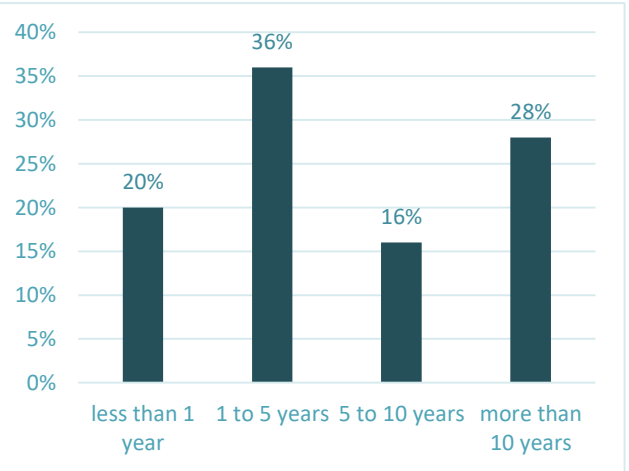

1.4 Number of employees (in Germany)



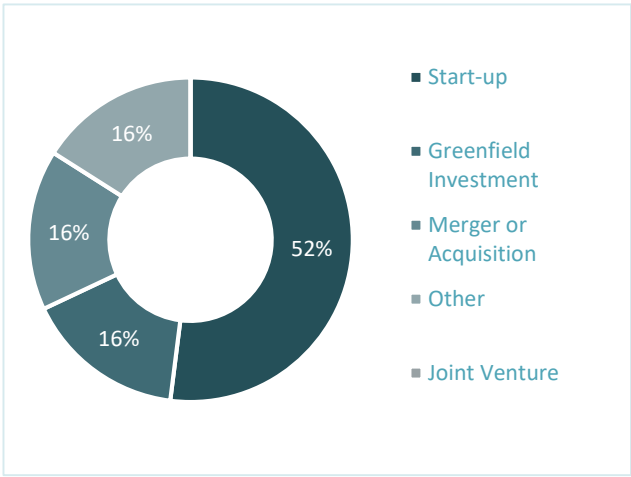

1.5 International activity of the company



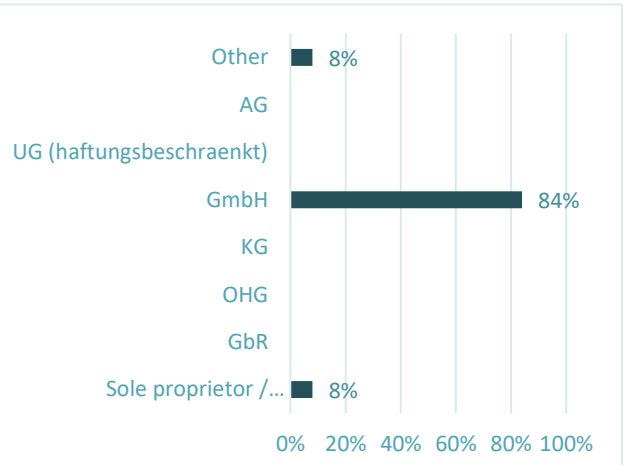

1.6 Duration of activity in Germany



1.7 Type of FDI pursued at market entry



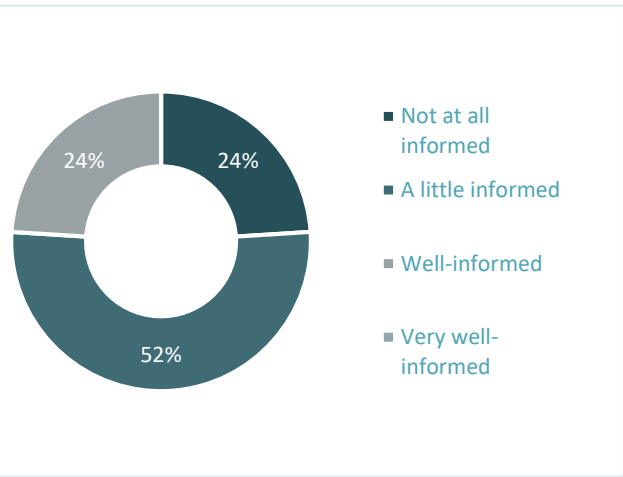

1.8 Which corporate form was chosen?



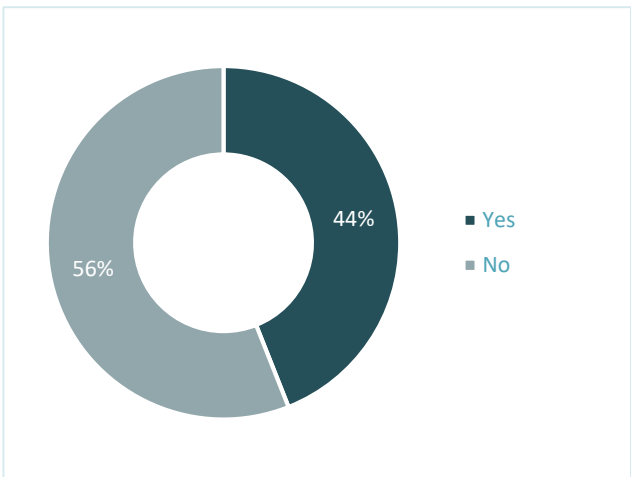

## 2. Support services for Indian companies in Germany

There are several public and private institutions in India and Germany which offer support services and access to local networks, ecosystems, etc. with the aim to foster Indo-German business collaborations. These support services can be very helpful to Indian companies in Germany. We asked the companies in how far they know about these kind of support services, and in how far they made use of any.

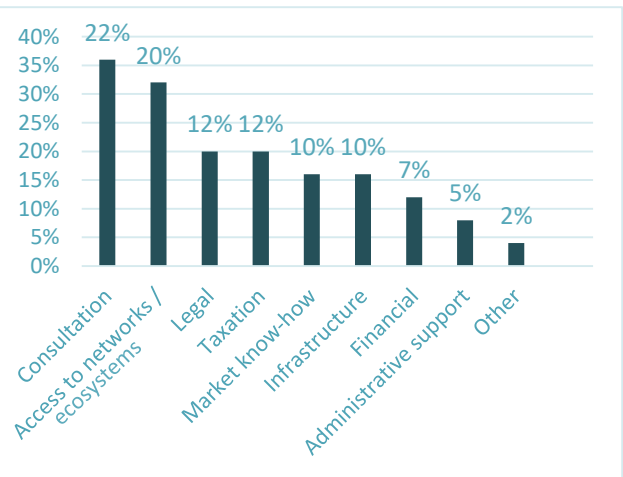
2.1 How well-informed are companies on support services?



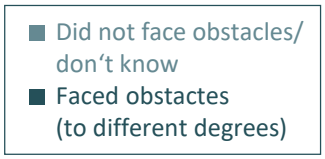

2.2 Were support services used?



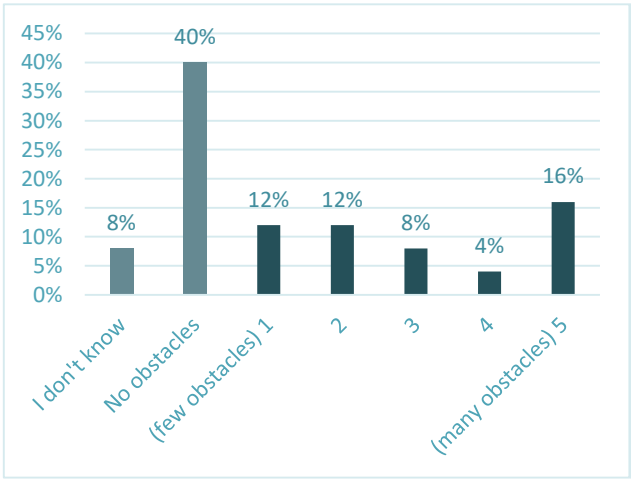

2.3 Which kind of support services were used?



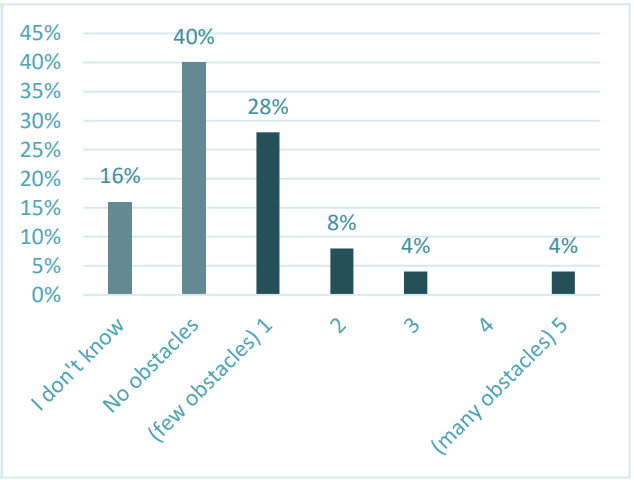
## 3. Administrative obstacles, that were faced during the business set-up in Germany



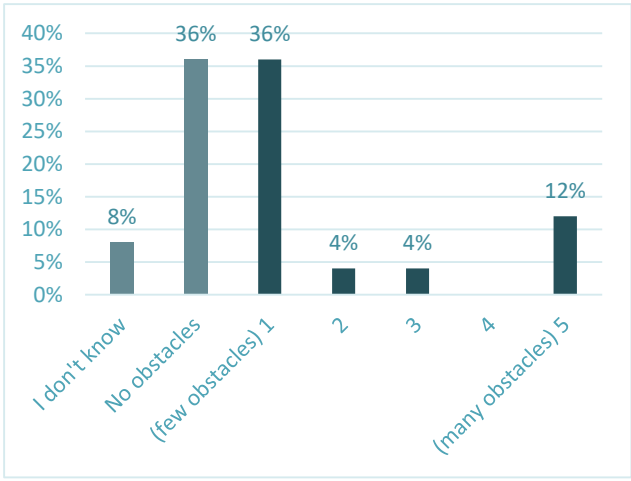

3.1 Visa



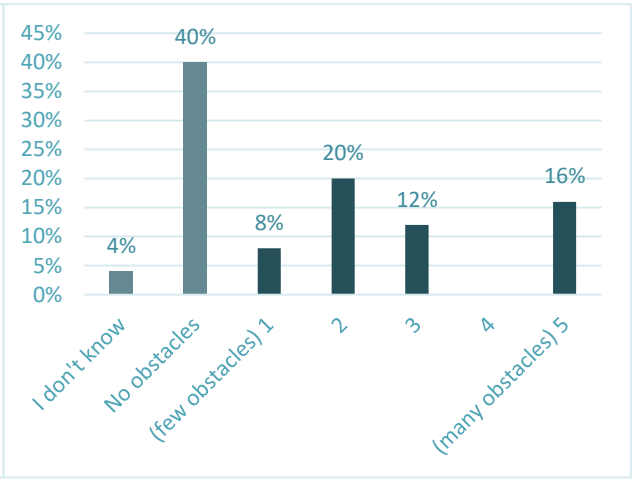

3.2 Business registration



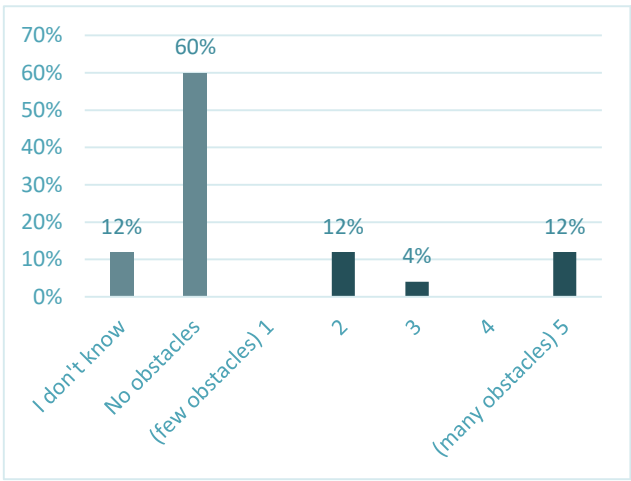

3.3 Taxation



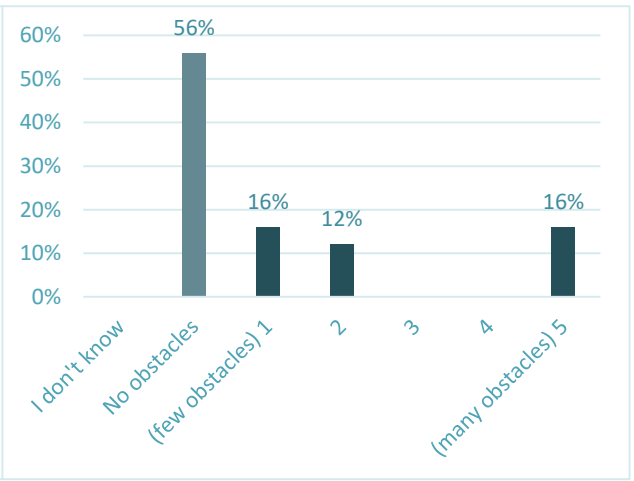

3.4 Recruitment




3.5 Payroll

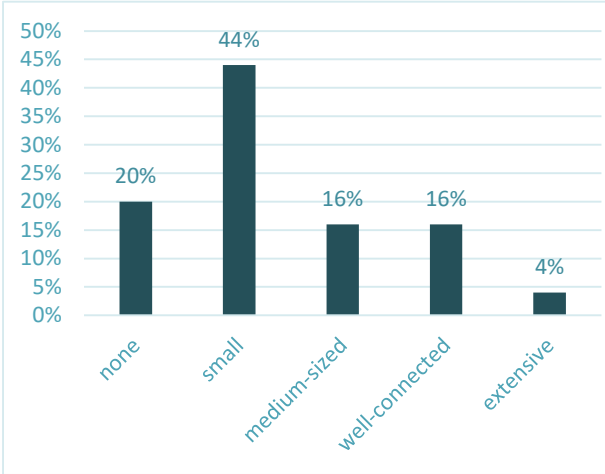



3.6 Insurance

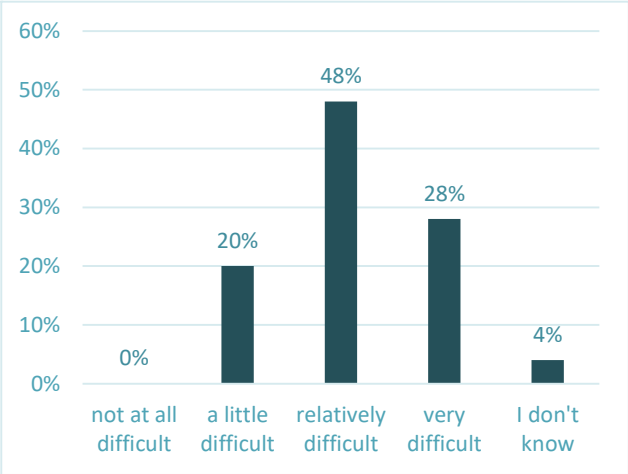


## 4. Doing business in Germany

4.1 Business network in Germany (before coming to Germany)

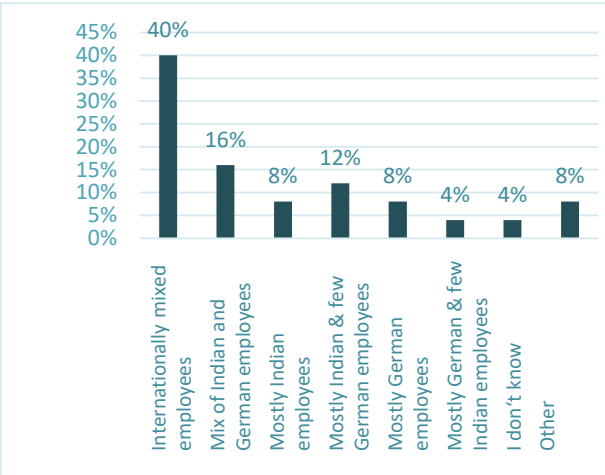



4.2 How difficult is it to form a business network in Germany

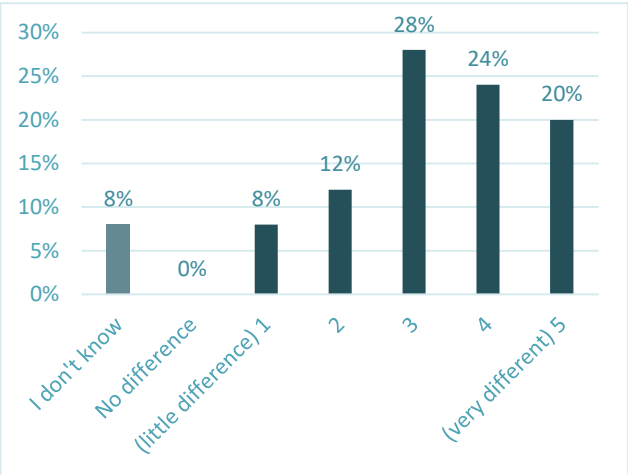



## 5. Differences between India and Germany

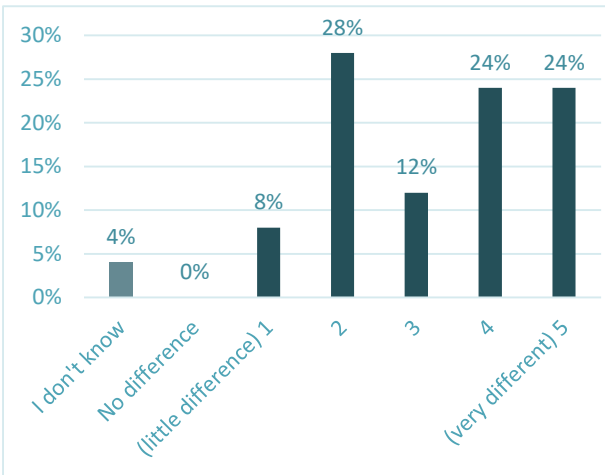
4.3 Employee structure in Germany



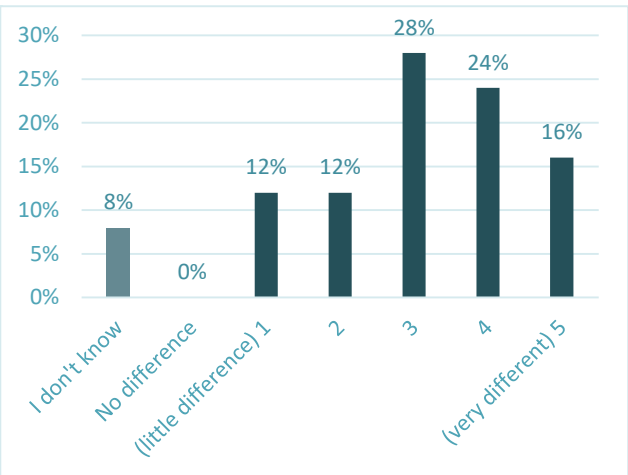

5.1 Communication with employees and supervisors



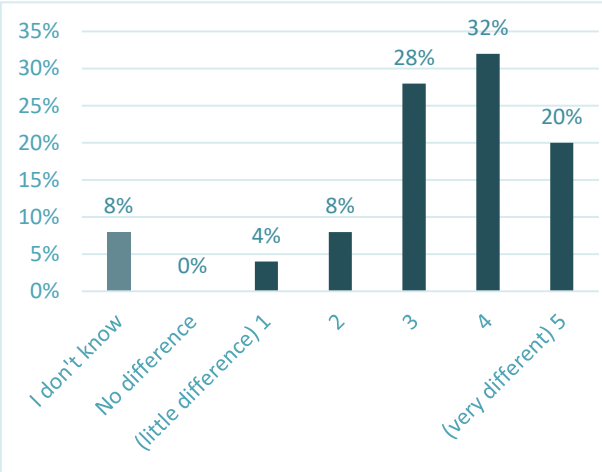

5.2 Communication with customers



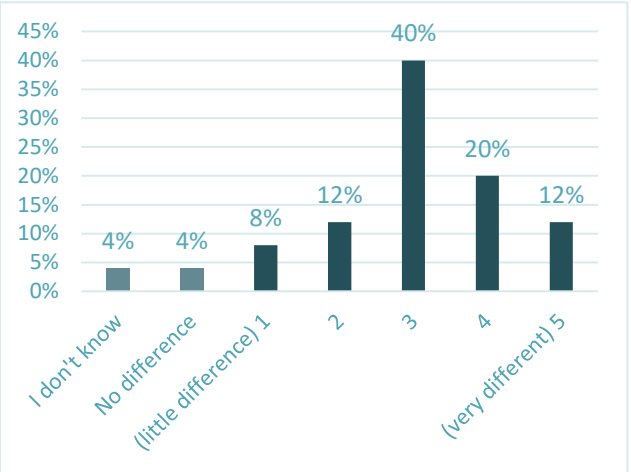

5.3 Acquisition of business partners



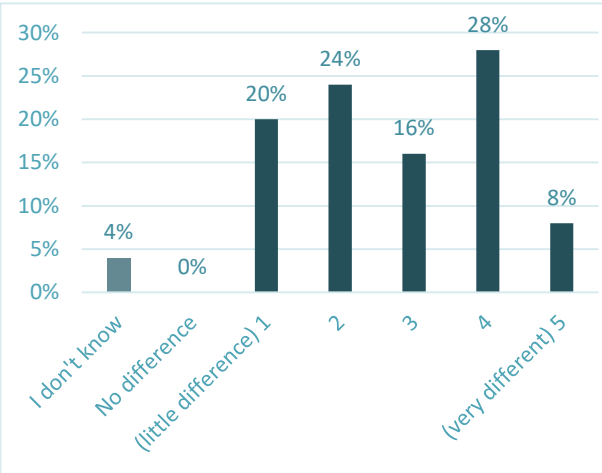
5.4 Acquisition of customers



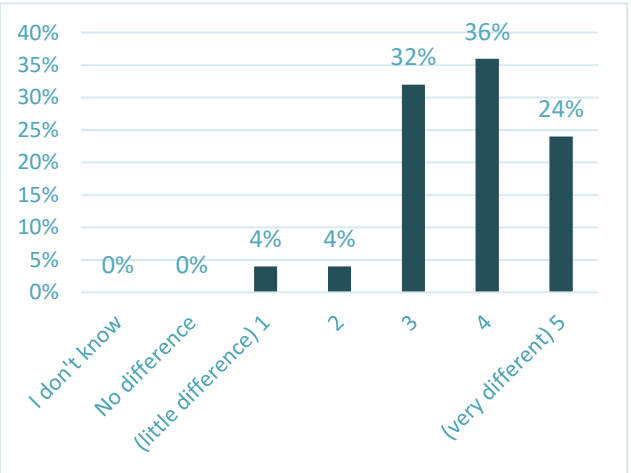

5.5 Gaining access to markets




5.6 Hierarchies within the company

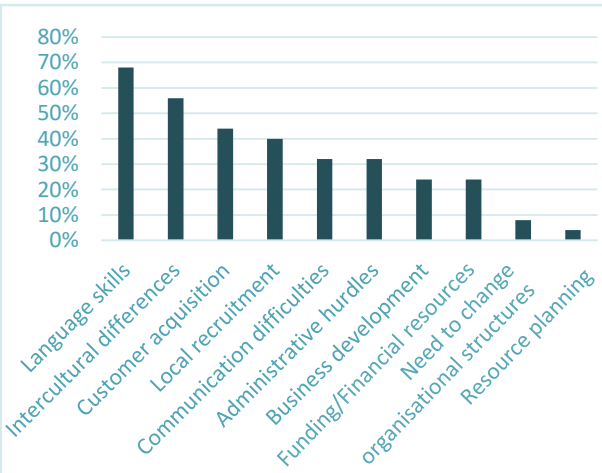



5.7 Company culture in Germany

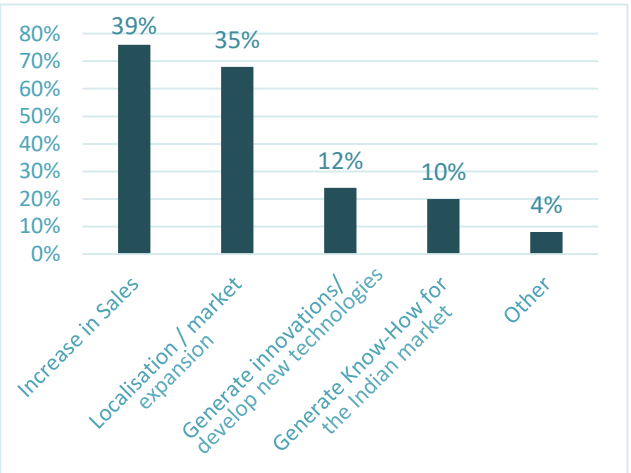



## 6. Future perspectives of doing business in Germany.

6.1 Top challenges (multiple answers)




6.2 Which are your major goals for the next years



# SOURCES


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Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

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The German Indian Startup Exchange Program (GINSEP) is an initiative by the German Startups Association (GSA) supported by the German Federal Ministry for Economic Affairs and Energy (BMWi). GINSEP seeks to strengthen the German-Indian economic relations in the field of startups as an impartial first point of contact and neutral facilitator of business contacts and opportunities between both countries. The GINSEP facilitates access to the German market for Indian startups and vice versa through providing information, providing access to networks and expertise (GINSEP ambassadors), development of capacities through workshops, and facilitation of B2B contacts and opportunities. For direct contact to experts and more details visit www.ginsep.com

# IMPRINT

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