A Business Development Strategy for India’s Rail Company Ircon in Expanding Businesses to Asia, Africa and Middle East

Sandeep Chinnobaiah, School of Management, Cardiff Metropolitan University, Cardiff, UK

ABSTRACT

The Ircon is one of the key players in the market of transportation infrastructure development backed by Indian government and Indian railways. It has successful presence in various locations such as Malaysia, Algeria, Mozambique, Srilanka and India. The objective of the company is to expand globally to get lucrative projects simultaneously sustain competition locally and overseas. The idea is to devise a strategic marketing plan based on infrastructure spending data, location accessibility and market friendliness of the target market countries. The research design carried out was of comprehensive study of data collected from email survey, archive survey and depth interview analysis on various stages of business. The survey outcomes from exclusively selected respondents having international experience in construction business have indicated that infrastructure spending of a country is of utmost importance with 56% of survey response agreeing to it, similarly majority of respondents agreed that deciding factors like market entry plan, entry strategies and other attributes in markets.

KEYWORDS

Asia, Business Strategy, India, Infrastructure, International Business, Market Entry, Railway

1. INTRODUCTION

The main priority of a developing economy is construction of infrastructure projects of public importance like transportation, public utility buildings like institutions, hospitals and utility buildings and in any country’s economy between 5 – 15% investment is of the construction sector. The public infrastructure market is still a bulk market which is fragmented into sub markets as the work is contracted among the set of contractors locally and internationally (Mawhinney, 2001). The World Bank has encouraged several governments to pursue policies that involve other country’s organization and privatization of certain projects for delivering the needed infrastructure services and projects for more efficiency (Kirkpatrick et al., 2006). Ircon is a government of India incorporated company under the Ministry of Railways, India. Thus, as a public sector company it is involved as a turnkey contractor and specialized in the construction of Railways, electrification, signal and telecommunication, highways, roadways, industrial, commercial and residential buildings, airports, mass rapid system and leasing of railway machineries. The company has completed more than 300 Infrastructure projects in India and 100 projects in more than 21 countries in Asia, Africa and Europe.
(Ircon Website, 2015). For the period between 2008-2013, it has managed to earn a total of 2117 crore in foreign exchange. (Jagarn Josh, 2013).

1.1 Opportunities in the Construction Market of Asia, Middle East and Africa

The spending on infrastructure development in East Asia countries has tremendously increased to match the rapid economic activity in the region. Being a developing economy, India is tasked with implementing projects across major cities where it needs US $190 billion for the growing infrastructure development (World Economic Forum website, 2010). ASEAN countries have open market principles which are unlikely to change and their positive cooperation as well as business integration between them shows that not only by market driven economies but with huge trade and positively increased FDI inflows. Apart from that, their involvement in the infrastructure sector together with strongly supported supply chain network by various organisations show positive economic activity (Bhattacharyay & Nath, 2009). The projected spending on infrastructure in ASEAN countries is provided in Table 1.

Historically, the African governments have relied heavily on donor aid and soft financing in developing infrastructure in the region and out of every 10 major projects only 4 are related to transportation sector, for example country like Ethiopia its government supported transformation program which provides projects worth $20 billion in revenue and scope for $2 billion profits to the contractors (KPMG Africa, 2013). In Middle East there is an underdevelopment in public transportation sector and the thrust lies in the development of railway network as the railway track density is low (Ives et al., 2013). For example, the Oman rail project costing $15 billion is designed to connect its various ports and adjacent cities, similarly with other Middle Eastern countries which are upgrading their public transportation infrastructure by providing its businesses to contractors across the world (Urban Transport Technology, 2014).

1.2. Problem Statement

Ircon has a vast experience in undertaking projects in these regions and the weaker areas identified for entry and stabilisation of business are listed below:

- Slow pace in tapping market potential in other Asian countries;
- To counteract the aggressive growth of competitors such as Chinese companies foray into the African market vying natural resources which is important to subcontinent India;
- The company has to increase international contractor reputation and orderbook by foraying into lucrative market in Middle East.

Table 1. Infrastructure spending projection in ASEAN countries

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>ASEAN Countries</th>
<th>Projected Infrastructure Spending till 2025</th>
<th>Projected Growth Rate Annually</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Indonesia</td>
<td>$165 bn</td>
<td>7%</td>
</tr>
<tr>
<td>2</td>
<td>Philippines</td>
<td>$27 bn</td>
<td>10%</td>
</tr>
<tr>
<td>3</td>
<td>Singapore</td>
<td>$18 bn</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Thailand</td>
<td>$58.5 bn</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Vietnam</td>
<td>$56 bn</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: (PwC, 2014)
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