

**Going Global Successfully:
In Search of Strategies for Emerging Indian
Multinational Companies**

SYNOPSIS OF THE THESIS

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by

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1 Introduction

1.1 Background

Over the last several years, we have seen more Indian companies exploring global markets and taking steps to capture markets other than in India and succeeding in their attempt. At the same time, finding that many markets of the developed economies are saturated , companies from other countries, especially from the West, are aggressively investing to expand their business in India and other emerging markets which have a huge untapped potential , so as to sustain or gain global leadership. In the global economy of today, the emerging markets have a large role to play. The companies based in these emerging countries, on the other hand, are finding that they have to learn new methods and establish new processes that help them compete effectively with the global companies. Globalisation is *in* these emerging markets, thanks to the MNCs that are entering them in order to take advantage of the potential that they afford, with a range of international products tried and tested in several other mature markets.

The recent spate of acquisitions by Indian companies of foreign companies indicates that they are attempting to establish global scale and build on the success in the current economic scenario in India. At the same time, many of the companies in the emerging markets are realizing that in order to compete in their home markets, they also need to get into foreign markets and learn the way in which business is conducted there. All of this has changed the face of global competition as it was known until recently.

1.2 Current status of globalisation

In the integrated global economy, the emerging markets have an increasingly important role to play. The multinationals from the developed markets are moving to the emerging markets and expanding their global reach to the very large number of customers in these markets, such as Brazil, Russia, India, China, and South Africa (known as the BRICS countries), which spell high growth over the next 40 years at least. These and many other economies are also creating organisations that are

taking leadership positions in their industries globally. We have seen that globalisation has an impact on the way organisations and society work – as technological, economic, political, cultural and social factors all undergo significant change.

In India, the global companies sought to take advantage of the large potential market, the increasing middle-class and higher disposable income. They came in with standards, offerings and experiences that were tested and validated in multiple markets. Global organisations were beginning to expect the same level of service in all the countries that they operated in. With the increasing mobility of people across countries, the expectations of Indian consumers also changed to become more consistent with the expectations in various parts of the world. Finally, with the increasing adoption of information and communications technologies, and the dominance of the Internet, distances began to shrink, information could be disseminated instantaneously, and views, knowledge and opinions could be communicated rapidly. The prevalence of the internet, mobile phones and television has resulted in empowerment of the individual, including in segments that could not hitherto be reached.

Against the backdrop of all of these changes, Indian companies seeking to find a place in the global market necessarily have to craft strategies that take into account all of these environmental dynamics. Western companies coming into the emerging markets have tended to use the same models that were successful elsewhere, in these markets as well. However, this is not the most appropriate approach as most of the environmental variables are different, the organisational models that work are different and the basic product and service requirements of customers could be very different. They therefore need to re-work their strategies to reflect the applicable assumptions and variables. The companies from the emerging markets might adopt a different set of strategies in order to take a significant position in the global market. MNCs from across the globe are focusing heavily on the BRICS markets, which are very different from the countries they are used to, each of which has its own distinct characteristics. Therefore, these companies are all faced with a completely new level of complexity of doing business in a different set of markets than the ones they have been used to thus far. It is expected that the traditional financial measures of

success would also undergo a change in order to reflect this new balance in the markets. Faced with these new challenges, therefore, these companies are actively rethinking their strategies, and even evolving ways of working that are specific to their different markets.

During the study, the increasingly global nature of a number of issues became apparent - for example, the global financial crisis that impacted not just the countries in which the problems arose, but also economies across the world. A second important trend is convergence between industries. Several industries that were seen as separate are now coming together or overlapping. An example is that of retail, financial services and telecommunications, finding common ground. A third trend is the increasing private-sector participation in government functioning and a redefinition of the role of government itself. This porosity of organisational boundaries implies that organisations can no longer think of themselves as isolated entities, or indeed even remain uninfluenced by events beyond their own countries or industries.

1.3 The Market of the Future – ‘Emerging Markets’

In order to succeed in the world of the next decade, the focus on growth markets of the future and on the “bottom of the pyramid” is critical. These markets, while not being affluent in any sense, are the ones that will help organisations build capital and operational efficiency. At the same time, viability in these markets requires that the competitors should find ways of addressing high quality, sustainability and profitability; at the same time, distributing and providing these products and services to the large, geographically dispersed market in a cost effective manner. These markets, with their limited financial and other resources, are likely to be disruptors, as products, services and business models created for them will find acceptance in the developed economies as well, especially as they are likely to be more efficient and environment friendly.

There is a large body of research concerning global strategies, which has evolved over the last few decades. Much of this extant literature describes the strategies adopted by companies from developed countries. There is very little literature

describing the strategies of companies from emerging economies. There is hardly any literature pertaining to Indian companies with global aspirations. As more Indian companies participate in international markets, research pertaining to Indian companies and the strategies adopted by them would be of value. There is also considerable academic interest in this field now. This study was undertaken to understand and describe the manner in which emerging Indian multinationals approach globalisation.

2 Objective of this study

The objective of this study is to understand the various dimensions in which Indian companies shape their strategy while going global and the manner in which they approach these dimensions.

This research has been undertaken to understand the strategies followed by emerging Indian multinationals as they compete and establish themselves as global brands and in particular, to understand the various success factors that shape their global strategy. The following specific issues have been addressed in the course of the study:

1. Understand the issues in global participation
2. Identify the challenges for Indian companies to assume a leading position in global markets and the manner in which they address these challenges
3. Develop a model that can be used by Indian companies that aspire to enter global markets

3 Scope of the study

For the study, three emerging mid-sized Indian multinational companies were selected. From the existing literature, a framework was evolved, to show the various elements of strategy considered by globalising companies. The approach the three selected Indian companies took to globalise was studied through interviews with senior executives and available documentation. The critical success factors that these companies consider to be most important, as they compete globally, were

identified. This exploratory study describes the manner in which emerging Indian multinational companies draw up their strategy to participate in foreign markets.

4 Methodology

The case study method was selected for this research study. A multiple case design was used.

1. The theoretical background was developed largely based on available literature, which pertains mostly to organisations that have gone global, but based in the developed economies.
2. A strategy framework for globalisation was proposed, with four levers - energy, capability, resilience and integration. Each of these dimensions was further detailed.
3. Preliminary discussions were held with several international and Indian companies that were globalising. Based on inputs received, changes were made to the framework to take into account the concerns and environmental variables relevant to Indian organisations.
4. It was decided that the cases be selected such that they would afford the widest range of strategies, in order to be able to study a broad range of subjects, rather than confine to a single or a small number of factors. To this end, 15 prospective companies were identified based on the following factors - size, innovativeness, industry, age and route to globalisation.
5. The research protocols were evolved; interviews and discussions were held with senior executives in the selected organisations several times.
6. Most of the data was gathered through semi-structured interviews. In all cases, the Chief Executive of the organisation participated directly. Other senior leaders were also interviewed. In some cases, discussions were held with customers and dealers as well. Employees and ex-employees also provided valuable information.
7. Secondary sources were also scanned and used to gather relevant information. Where relevant, the direct observation was also made.
8. The data gathered through the interviews was analysed manually. The information gained from secondary sources was used to verify or corroborate the evidence that emerged from the interviews.

5 Results and Discussions:

This study concludes the following, based on case studies of three emerging Indian multinationals.

5.1 Reasons to globalise

The reasons for the companies to go global are mainly the need to:

- gain sufficient scale, where India alone is not a large enough market
- meet changed customer expectations
- create critical market for adoption of new products or technologies
- learn to compete effectively with global players, even in the local context
- protect the home market by creating barriers to entry for competitors
- enable the company to become a leading player in that industry
- adopt global best practices

5.2 Challenges faced

The main challenges faced by the Indian company in the global market are:

- liability of origin – an Indian brand is still viewed with some trepidation in foreign markets
- lack of confidence in the ability of the people in the company to compete effectively against their global competitors
- ensuring reliable and consistent delivery across markets
- ability to invest for innovation and persistence
- managing a remote, diverse workforce

5.3 Overcoming challenges

In order to overcome these challenges, Indian companies say that they need to focus on the following:

- gain better confidence, as the case studies have shown. With the increased confidence, the companies are able to invest more in creating strong globally recognized brands and in developing the capabilities required to address diverse markets

- invest in building the right alliances and organisation that enable them to respond to customer requirements
- ensure that quality processes are in place and are operating in a robust manner
- create a culture of innovativeness, that enables the entire organisation to become agile and pro-active in leading the global industry or create a winning niche for itself
- emphasise the creation of resilience that would provide the ability to sustain, compete effectively and be the leader in the long run

5.4 A framework for globalisation strategy of Indian multinationals

As a result of the cases studied in this research, the framework for globalisation, created on the basis of theory and available literature on globalisation strategies was validated. The organisations studied were all mid-sized Indian companies with global aspirations. The framework created covers four broad areas described below, within which are several strategy levers.

Energy: the drive for globalisation, emerging from a vision that makes globalisation a priority. To keep the organisation focused, strong leadership and a culture that supports the critical success factors are necessary. Focus also helps the company do fewer things, but much better than in the past. Successful global companies are able to change and innovate, and are diverse in their thinking. The soul of the organisation is as important as strategies and resources and thus abiding values have a strong role to play in shaping it. Integration of employees from different locations is a two-way process that forces learning. There is a need to reinvent the organisation from time to time and invest in specific priority areas in line with the strategy of the company.

Capability: the ability to serve global markets, apart from the local Indian markets, given that the needs and expectations of Indian customers are also rapidly becoming similar to those of global customers. A strong brand identity is important. The company needs the right talent that can ensure the best possible service to customers across the globe. Agility of action necessitates the formation of suitable

alliances in a number of areas including skills and knowledge, cost arbitrage manufacturing and access to local markets. Clearly, with customers and partners being spread across the globe, one of the most important enablers would be a high degree of empowerment, collaboration and trust. But most important is a global mindset, for which the entire organisation has to be prepared suitably. A clear area of focus is creating the ability to deliver the right level of service at the right price level in multiple markets.

Resilience: enabling the organisation to cope with a variety of environmental and other factors in all the markets that the company operates in. It is not about being risk averse; on the contrary, globalisation calls for a higher degree of risk-taking. At the same time, change is accelerating rapidly. The 'global economy' and lowering of trade barriers has resulted in the interconnectedness of the economies of all nations. Resilience allows an organisation to define how best it can cope with the complexities of this new world order. As the environment changes faster, the global organisation has to become more decentralised and work round the clock. Agility becomes important in this situation, empowering employees, such that they can take decisions closer to their customers; for this, the organisation needs to be able to recognise and foresee events, both within it and in the environment (such as changes to governmental policy), and respond as required. Global companies would take advantage of leading practices and successes in each of their markets, learning from every market and sharing knowledge and understanding as required. Periodic renewal of the organisation would result in energising it from time to time.

Integration: being accepted in each market. All organisations with global operations believe that the strategy should be 'think global, act local'. In order to realise this aspiration, it is now recognised that there is a need to ensure sustainability on all dimensions, in each of the local markets - economic, organisational, social and environmental. Countries are putting in place rules and regulations to do with environmental sustainability, and it is expected that all companies will respect and adhere to these legal provisions. The business should sustain in the medium to long term in each market, implying that it should be sufficiently profitable. Since each country and market segment is different, a common approach to all of them is simply not possible. While information flow, dissemination, and the social media are

resulting in uniformity of consumer tastes, local sensitivities and requirements are also to be respected. They might be in a wide variety of areas such as social customs, language, purchasing power, legal framework and climatic conditions. Companies have to work within these factors. Therefore, a global strategy also assumes that there are local strategies to address each of these separate markets. Most large multinationals contribute to and integrate into local societies by hiring locals, building alliances with local companies and organisations and contributing to local society (usually in the form of corporate social responsibility). Being relatively small, emerging Indian multinationals have to find the most appropriate ways to contribute to and integrate into the local societies.

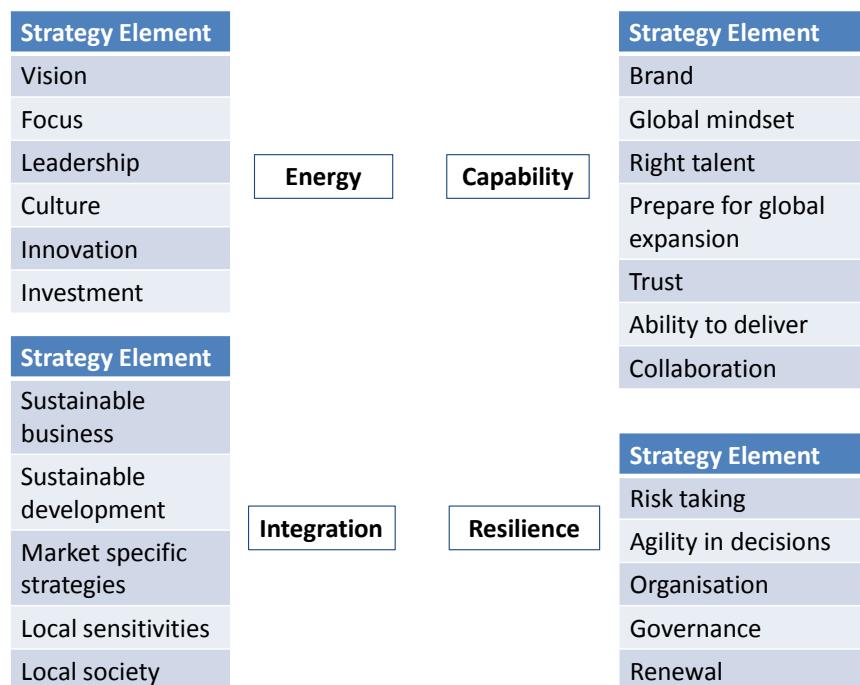


Figure: Strategy Framework for Globalisation of Indian Companies

5.5 Main themes from the cases

The common themes emerging from all the companies studied were:

- The need to define clear focus areas
- A strong shared vision amongst all employees, as well as with partners
- The importance of a closely knit leadership team
- Putting in place visible symbols of the culture

- Building an innovative culture
- Investing for the long term
- Enthusiastic a diverse workforce
- Investments are made not just in specific customer or market focused initiatives, but also in methods and tools
- Building the right kind of partnerships and alliances
- Creating sufficient scale
- Trust and empowerment
- Building delivery excellence
- Flat organisational structure
- An environment of learning
- Value clarification process
- Periodic renewal, in a proactive manner

The themes specific to a traditional company with a legacy of operating in India, prior to addressing the global market are:

- Innovation in the way customers are engaged and in creating new offerings
- Providing actionable information to employees
- Creating a strong brand identity
- Transitioning to a global mindset
- Preparing people within the organisation for globality
- High degree of risk taking and agility
- Different strategies for different markets

Born-global organisations on the other hand place emphasis on:

- Innovation in delivery mechanisms as well as in technology development
- Co-creation with customers and business partners
- Bringing together people with no prior exposure to the company

5.6 Key findings

Contrary to the expectation that these companies undertook their global efforts on the basis of a clearly thought-out roadmap, with an understanding of the end state, it was found that the companies studied started with an aspiration, a desire to be present in some non-local markets and allowed their global journey to evolve opportunistically. It is likely that this may have been the case in the past, before there was clarity around their capability and possible success. As newer forays are undertaken, the learning from the experiences of these companies may help other firms to make better estimations and take appropriate actions.

During the course of the study, it was observed that the companies did undergo substantial change in their attitude. While the large companies do seem to have overcome these limitations posed by perception, for the small companies it does continue to remain an issue and a limitation. For the industries in which the selected companies operate, the United States and Western Europe still constitute the bulk of the global market. China and other countries are also entering the services space, displacing the low cost advantage of Indian services companies, and anyway exercise control over most of the manufacturing areas. The mid-sized companies therefore had to look for strategies to work around this perception.

The route taken to becoming global differed widely amongst these organisations, since the areas of focus, their industry concerns and customer base were very different. The older, more traditional organisations followed a route to market which was similar to the large traditional companies, starting with exports, contract manufacturing and subsequently selling their own products. The born-global company on the other hand, chose a niche market for itself and delivered high value right from the beginning - to international customers first and then to Indian customers.

The strategies of the companies underwent change, as might be expected, over time, as they gained experience in other markets and insights from these experiences. There were differences in the route taken to globalise as well, given the differences in age, industry and timing of global foray. The cases studied did not

follow a regional or cluster strategy, preferring to enter the global market on their own.

5.6.1 Energy

There is a need to ensure that the innovations are appropriate to the markets being addressed. The Indian companies therefore need to build world-class innovation capability, and also invest in a range of enabling factors - and sustain them. Across all the organisations, the desire to be world-class was very apparent. Therefore, they benchmarked themselves regularly with the companies they considered the best globally, and also adopted business practices that they considered to be the best, not just in India but also globally. There is a focus on innovation in engineering, product design and technical delivery, as well as in support areas such as brand and marketing.

As the organisation grows globally and spreads further to more countries and geographies, it is obvious that the teams must be kept involved and committed to the vision. Not only is it important to define the values and culture that all employees will adhere to, it is also very important to show visible endorsements of the culture and values; senior management has to participate and set an example. It is clearly necessary to build sufficient scale, in order to make the investment required worthwhile and provide sufficient return on investment. Some fundamentals such as the values of the organisation, as well as some elements of culture such as passion remained the same.

5.6.2 Capability

Creating a strong identity and well-recognised brand is another priority area. It also has to make suitable investments to support its claim. Delivering products and services to customers in many different countries, in a consistent fashion and in a way that is competitive with global leaders, requires a strong, integrated supply chain capability. All the cases studied, emphasised the need for them to strengthen their delivery mechanisms suitably. Some mechanisms used to achieve this are encouraging global thinking, hiring local staff and building the right alliances, with non-conventional collaborators. As organisations spread across more far-flung

areas, it becomes even more important to find the most optimal mix of people across countries, cultures and experience and nurture them.

As industries are becoming more knowledge intensive, the need to share knowledge openly and be seen as leaders in the creation of knowledge is being felt more strongly. The structure and culture of the organisation should be such as to enable such open sharing, yet being able to protect their intellectual property. Trust is playing an ever-increasing role within and across organisations. Values, ethics and governance are therefore becoming more central to the conversations within these emerging multinationals.

It was clear from the study that as the organisation tasted success beyond its traditional domestic market, its level of confidence surged considerably, and this resulted in its ability to compete even more effectively in the global market. The confidence gained and the new ways of working learnt in turn, helped the company do better in the domestic market as well.

5.6.3 Resilience

The global financial crisis forced a change in strategy. As a result, every one of these organisations had to rethink a number of elements of their strategy, as well as the manner in which they put them into practice. Measures put in place during the crisis were not rolled back, resulting in stronger processes, culture and organisation. Flexible and innovative business processes, and quick decision-making are critical in order to become more fleet-footed and agile. As new forms of organisations are emerging such as networks, the ability to work in teams is becoming extremely critical. Cross functional teams, teams across geographical boundaries and time zones, as well as teams that span across organisational boundaries have to be enabled. Often this will mean identifying and putting in place a suitable set of organisational mechanisms to support working in teams, rather than as individuals.

One of the critical success factors for global organisations is their ability to share knowledge, experience and operate common management processes across all

locations. Managing change is an important capability for emerging multinationals, as is learning from various events.

5.6.4 Integration

A key issue that is now emerging is integration with the local market. Even as countries are adopting 'soft protectionism' on behalf of their local companies, or seeking to protect their economies or competitive edge, being strongly entrenched in multiple local markets is becoming relevant. Although not much action has been taken by the cases studied with respect to environmental sustainability, this area is likely to receive considerably more attention in the near future, with global realisation that the world is doomed unless rapid and stringent action is taken.

6 Specific Contributions of the Study

This exploratory research study was based on three real-life cases of emerging Indian multinationals and is valuable in terms of addressing a large gap in literature and research, namely, how emerging Indian multinationals formulate strategy. There is a high level of scholarly interest in emerging economy multinationals, but very little published work exists. Theoretical, secondary research or macro economics based literature could be found. This study has attempted to understand what a few pioneering companies have actually done. The issues gleaned from the study, as well as the framework that has been evolved, can be used as a base model for globalising companies from India and other emerging economies. This study is valuable as a cross industry study that seeks to distil common themes; it also highlights differences that might be there - factors or context that would drive companies to adopt different strategies. While many elements of this framework may be seen to be applicable in any kind of organisational context, the manner in which the company prioritises each of the levers to make it relevant to success in a global context has been the focus of this research. The study also underscores the need for more detailed research and theory development in this area.