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1 Chapter 1: Introduction

1.1 Background

Over the last several years, we have seen more Indian companies explore global markets and take steps to succeed in markets other than India. At the same time, recognizing that many markets of the developed economies are saturated, companies from these countries are aggressively investing in growing their business in India and other emerging markets, recognizing that the large populations of the emerging markets provide a huge untapped potential, which is necessary to sustain or gain global leadership. In the global economy of today, the emerging markets have a large role to play. They have therefore been entering and strengthening their position in these markets over the last few years. 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 these global companies.

The recent spate of acquisitions by Indian 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 go out into the other markets and learn the way in which business is conducted elsewhere.

1.2 Globalisation

Internationalisation is the process of a firm entering new markets that are geographically distinct from its home market with existing or new products [1]. International business is defined as any significant cross-border venture, excluding importing and exporting [2].

Growth imperatives have driven existing multinational and transnational corporations to seek out newer markets. After the mature markets of the West, the companies have recognised the huge untapped potential offered by the emerging markets. It is here that a lot of attention is now focused. In addition to the large MNCs placing emphasis on business in these markets, the companies in these economies themselves have also grown larger and more mature. Their own growth ambitions have led them to look beyond their home markets. These companies are working hard to make a mark in the global economy and win a substantial chunk of the returns. In many cases, the need for expediency has led them to resort to inorganic growth as a way to help them build global size and capacity rapidly. Examples in India in recent times include Tata Steel acquiring Corus, one of the largest manufacturers of steel in the world, Havell acquiring Sylvania and so on. At the same time, what were local brands are now standing up on their own rather than piggy-backing on well-known international brands. So we hear of Haier, Tata, Enzer and Hausmann, which are local brands that are now being built as global brands. All of this has changed the face of global competition as it was known until recently.

Historically, international trade has been in existence from prehistoric times. India has been a participant in such trade for all these millennia. Prof Amartya Sen describes the close trade ties between several countries over the last several centuries in his book, The Argumentative Indian [3]. In fact, it is said that the largest world economy during the 1600s was China, followed by India. Later, during the industrial revolution and the colonisation of India, the economy fell considerably in terms of rank and in fact, lagged considerably behind many other nations, including other "third world" nations during the following decades.

In the 1950s and 60s, governments in Asia, such as Taiwan and Korea, realised the importance of supporting industrialisation and developing competitiveness. The result was not just national capability, but also an international position of leadership in the industries, which had such focus. This leadership, however, was not created overnight, but took several decades of sustained effort by both the manufacturers and the government. An example is electronics manufacturing in Taiwan, which started assembling various electronic consumer products., Although initially, the products were of low quality, over time, the manufacturers not only learnt to produce high-quality goods, but also carried out product development and research, which enabled them to become global leaders in areas such as semiconductor manufacture.

The four “Asian tigers”, Hong Kong, Singapore, Taiwan and South Korea, all followed similar export-oriented strategies, focusing on the global market. This enabled these countries to become leading economies during the 1990s. As relatively poor countries in the 1960s, when this transition began, labour was cheap. The government's policies and investment in education, helped largely to create products that would be acceptable to the industrialised nations. At the same time, the push for low-cost products drove several multinational corporations to look at these countries as manufacturing locations.

During that time, Indian government policy was largely driven by need for self-reliance in the difficult years post Independence. Recognizing that huge investments were required to build scale and capability for industries, the public sector units were created that addressed several strategic areas such as defence, electronics, oil, aeronautics and steel. The banking system was nationalised to gain higher scale, and to support several social initiatives that were the imperative at the time. In addition to the strategic areas however, industries such as textile and watches too became areas of public sector domination. The result was that private entrepreneurship, while playing a role, did not grow to the extent required. Some private industrialists such as Birla and Tata setup factories, educational institutions, etc. There was a lot of government protection, to enable local companies to withstand competition from other parts of the world that were rapidly globalising. Therefore Indian industry in general, was not exposed to the outside world, and direct competition from multinationals. The skills and outlook were therefore, very internally focused.

In the 1980s, software companies, notably TCS, began to take advantage of the English-speaking college educated graduates in India to provide low-cost manpower to mainly American companies that were now feeling the need for more software programmers to build information systems to support the increasing complexity of their businesses. India's journey to globalisation, had truly begun. More details of Indian globalisation, as we now know it may be found in Annexure A - Collaborating for Success in The Global Market: Lessons for Indian Companies.

1.3 The Market of the Future – ‘Emerging Markets’

This section discusses the role that emerging markets play in the global economy and the implications for firms’ global strategy.

In order to succeed in the world of the next decade, the focus on growth markets of the future is critical. Prahalad and Hart [4] have mentioned the challenges of addressing this market, the “bottom of the pyramid”. 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 companies competing for this market 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 at a very low cost. MNCs from across the globe are focusing heavily on the BRIC (Brazil, Russia, India and China) markets, which spell high growth over the next 40 years at least. [5] Therefore, these companies are all faced with a completely new set of challenges of doing business in a different set of markets than the ones they have been used to thus far. In fact, 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 all actively rethinking their strategies, and even evolving ways of working that are specific to their different markets.

Today, even in the emerging markets, it is not necessary for the local companies to go to other markets in order to experience the effects of global competition. Globalisation is *in* these markets, thanks to the MNCs that have come into these markets and are tapping the potential that these new markets afford them, with a range of international products tried and tested in several other mature markets.

1.4 The need for this study

For an Indian global corporation, apart from addressing the growth market in India itself, it also needs to address effectively, the markets in other parts of the world. These markets could have very different needs from those encountered locally in India. One example is the realisation that preservation of limited resources is an imperative in the developed markets. Issues such as global warming and its drastic impact on the environment, which countries around the world are now facing, are global issues, not local or even multilateral ones. Existing multinational corporations from the Western countries are already focused on such issues, and therefore have built up a base of knowledge and experience that address them. In such an environment, the need for active, formal mechanisms to build innovation in every aspect of the operation is therefore a critical success factor for Indian companies to succeed, whether in their home or global market. Leveraging work done by these companies in India can help them build disruptive technologies that will power the future, as well as create the environmentally sustainable products and technologies that will fuel business in the decades to come. As Prahalad and Hart say, “many of the innovations for the bottom of the pyramid can be adapted for use in the resource- and energy-intensive markets of the developed world” [4]. p 12

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. It is largely known that innovation is important for organisations to renew themselves, as well as develop product and service offerings that are relevant to the various markets that they address. Once again, there is a lot of literature and research in this area, but very little regarding innovation and innovativeness in Indian companies. Similar is the case in areas such as branding, organising and resilience.

As more Indian companies participate in international markets, research pertaining to Indian companies and the strategies adopted by them would be of value to them. This study was undertaken to understand and describe the manner in which emerging Indian multinationals approach globalisation.

Ramamurti, et al say that "..there is as yet no scheme or taxonomy for describing the strategy of infant MNEs as they embark on internationalization". [6] p 424. There is thus a gap in existing literature that addresses multinationals from countries such as India.

1.5 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

1.6 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.

1.7 Limitations of the study

This study is based on three cases. While the case study method is most appropriate for a study of this nature, it does imply that the conclusions drawn are based on these organisations alone. During the course of the research, a number of rapid changes in the environment took place and would have had an impact on the companies. The specific effects of these changes have not been captured here. Rather, the study focuses on the factors that determine the globalisation strategies of the mid-sized Indian multinationals selected. The three companies chosen belong to different industries and have different characteristics. While they were deliberately chosen in that manner, it would not be possible to verify that these factors apply to more than one company in any one industry. The companies were also studied at different times, as the study progressed and the theory and data built up. It has not been possible to capture any time based effects either. The lack of documented data made it difficult to verify the statements made by the persons interviewed, but it was assumed that as very senior leaders of their respective companies, these statements would be accurate.

1.8 Flow of this thesis

In Chapter 1: “Introduction”, the reason for undertaking this study is described.

Chapter 2: “Indian Business Going Global – Current Status” describes the impact of globalisation on Indian business. It also briefly describes the industry and competitive scenario of the cases studied.

In Chapter 3: “Globalisation Strategies – Implications for Indian Business”, existing literature is explored to understand global strategy and the way today's multinationals or transnationals approach globalisation and addressing the various global markets they are in. The strategies of other emerging economy companies are also studied. In light of the status of Indian business in the globalising world, as seen in Chapter 2, the implications for Indian business are derived. From the foregoing, the critical success factors for Indian companies going global are discussed. This framework forms the basis for exploring the situation in emerging Indian globals in the following chapters.

Chapter 4 explains the research methodology followed. The case study method was chosen. Three emerging Indian multinationals were chosen and studied to derive an understanding of their strategies and the challenges faced by them.

The manner in which the cases were selected is described and the major assumptions listed.

By exploring the typical strategies followed by the cases, Chapter 5 – “Globalisation Strategies of Indian Companies” - presents the data gathered and explores the challenges faced by Indian companies aspiring to build global leadership using the framework evolved in Chapter 3. The findings of the study are presented. The major critical success factors that drive their strategy are described.

Chapter 6 describes the conclusions of the study and lists some implications for the emerging Indian multinational, and suggests a few areas for further study. It also describes how this study adds to the existing body of knowledge.

2 Chapter 2: Indian Business Going Global – Current Status

2.1 Summary

The purpose of this chapter is to explore the current status of competition in various global markets, and the status of Indian businesses competing globally.
In the first section, the changing global competitive scenario is described. Following this, the Asian and Indian markets are explored. The new priorities for businesses that participate in Asia and in particular, in India are described. This is followed by a brief look at the role of government and the importance of national competitiveness. This is based on existing literature and publicly available information

The cases chosen for this research study operate within this context. The chapter concludes with a brief discussion of the competitive scenario of the cases chosen - the software services, power and fashion / lifestyle industries.

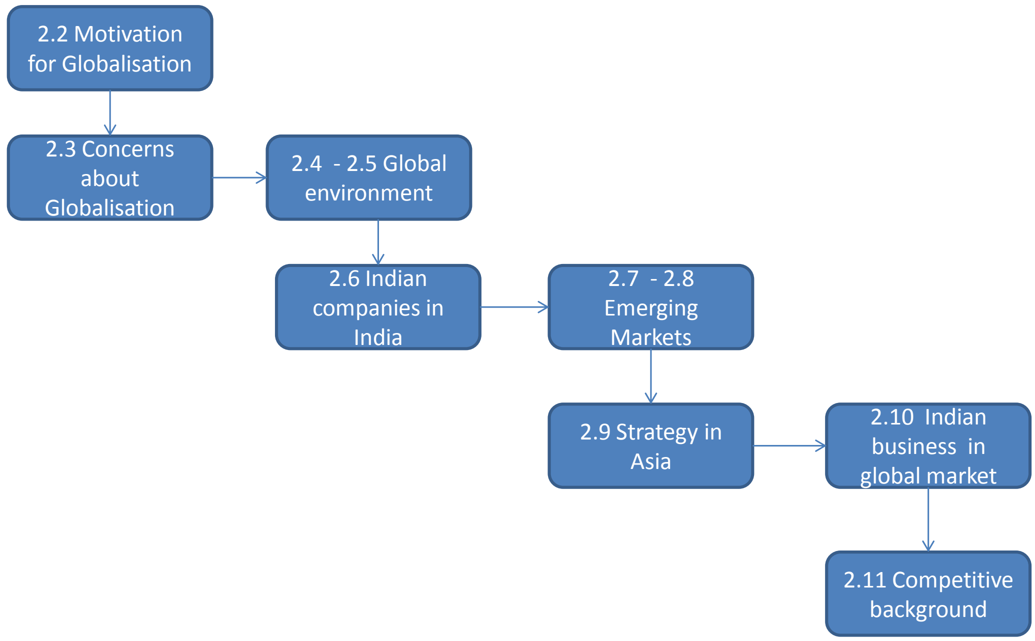

Figure 1 : Flow of Chapter 2

2.2 Motivation for global operation

In order to understand the factors that determine global success, it is important to begin by looking at the reasons for companies going global.

Some of the main reasons for companies choosing to compete globally are:

- to create economies of scale
- to build barriers to competition
- to learn to compete effectively with other global companies in local or other markets
- to innovate and create new products or services
- to spread risks across markets

The efforts of these companies are supported by three factors that are making globalisation possible [7]:

- Unfolding of professional expertise
- Marketisation
- Material infrastructure

Based on literature on cross-country growth (around 1996) it was found that all countries are converging on similar levels of literacy, life-expectancy, and education levels [8].

It has also been variously observed that consumer tastes and needs are converging and there is increasing uniformity in the way in which organisations serve their customers. However, this is debatable, as firms in an effort to differentiate themselves, have been trying to understand and address the specific needs of smaller groups of customers. 'Mass customisation' and 'one-to-one marketing' are now important elements of the strategies of several companies, both in consumer and industrial products. Several organisations are also able to allow customers to customise both product and service offerings to their needs and preferences.

Prof Amartya Sen argues that globalisation is not and has not been confined to the world of business and commerce alone. Cultural, philosophical and scientific ideas and thought too have been exchanged across various parts of the world, for several millennia [3]. He further goes on to add that the Indian tradition is one of imbibing and integrating multiple religions and cultures. This versatility is a huge advantage to India as it participates in globalisation on all its dimensions.

2.3 <u>Concerns about globalisation</u>

Several authors have argued that globalisation is not a new phenomenon and therefore the added attention to it and the fear that it seems to have sparked is not warranted. O'Neill [9] stresses that while economic integration is not new, the pace at which it is taking place is unprecedented.

Also, over the past 30 years, it has become apparent that the fastest growth in the world economy is taking place in the emerging markets, which implies that this provides opportunities for increased investments. However, capital markets and investors' preferences seem to suggest that most investment goes into domestic markets rather than remote markets. Finally, O'Neill argues that globalisation is far less extensive than most people have supposed, both detractors and supporters [9].

While inexorable market forces are pushing the world into increased connectedness between people, organisations, political systems and ideologies, there are several voices raised in concern at the effect that unbridled globalisation might have in the long run. Green and Griffith explain several strands of such concern in their paper [10]. The issue that seems uppermost in the minds of major social science thinkers of our time is that the current mode of globalisation seems to be heading towards creating a higher degree of inequity between the various parts of the world, specifically between the poorer and richer countries and societies. The concern arises from the fact that many of these countries do not have the wherewithal to absorb new technologies, do not have adequate infrastructure and are unable to invest in innovation or compete on a global scale. To this may be added the lack of political will and institutions to support economic and social transformation. History has shown that permanent dependence between nations, societies and organisations is likely to form in such situations, which could lead to further disparity [11]. The biggest concern, however, is that such a situation that causes further imbalances between different parts of the world and different societies, is not sustainable in the medium or long term.

Nobel prize winner, Joseph Stiglitz, has been critical of the manner in which globalisation has been driven. He explains that globalisation of enterprise, as well as the role that International monetary agencies have played, has resulted in substantial improvement in standard of living in many parts of the world. However, overall, it has not succeeded in reducing poverty or bringing about overall stability. His book, Globalisation and its Discontents [12] details the reasons why these inequities continue and the rich-poor divide seems to be worsening rather than improving. Intergovernmental institutions such as the United Nations have influenced much of the development in the developing world, but their manner of operation needs to be reviewed in light of the new realities of the global world. Stiglitz goes on to explain that it is not globalisation per se that is at fault, but the way in which it is being managed, so that growth and development around the world are no longer balanced, leading to a situation that is untenable. Ellis opines that the relationship between business and society "is a zero-sum game where one can gain only at the expense of the other" [13]. p15. Some concerns are environmental sustainability, labour rights and standards, impact on local communities, cultural and spiritual divergence, ideological differences, social imbalances and accountability.

In summary, opposition to globalisation seems to build around three broad themes: the role of government in economic management, the creation and management of alternative technologies and business models, and the pace of change.

2.4 The changing global competitive environment

There are five forces shaping the competitive landscape, according to Prahalad [14]. They are

- Deregulation of several industries in many countries, including in the emerging markets
- The formation of "micro-multinationals "

- Emerging markets (China, India) poised to become larger than many existing developed economies
- Convergence of technologies and industries, which is resulting in the exit of many industries as we knew them and the creation of new ones
- Ubiquitous connectivity, driving a large change in the manner in which business is done.

However, to a great extent, we have seen more regional strategies being played out, rather than truly global ones, as factors to do with geographic proximity and non-trade barriers have had a huge influence.

2.4.1 Geographical and national competitive advantage

Very often, national strength in a particular area defined the focus of industry in that country, resulting in concentration of a specific kind of activity in that particular geographical region. Very often, this was the natural result of the abundance of the relevant natural resources or skills in that region, leading to the growth of industries around those resources. Examples are wool in Ireland and wines in Portugal. Within the country too we have seen geographical focus; for example, the manufacture of locks in Aligarh, the export of hosiery garments from Tirupur and the growth of Institutes of higher learning in Bangalore.

However, increasingly, as technology drives substantial changes in the way we operate, the geographical boundaries are becoming less important. In fact, Ohmae says that in the borderless world, economic activity defines the landscape on which all other institutions must operate, including even governments. In fact, he says that "if economic zones fall within a nation's borders, that is an accident of history" [15]. p 122

Countries like Taiwan, Singapore and China followed conscious policies, which enabled them to build a national environment that supported successful enterprise in a few selected areas of strength. And indeed, helped them compete successfully in the global markets. These then were not accidental, but very conscious efforts at building economic prosperity and competitiveness into the political boundaries of the nation. Particular attention was paid to the choice of industries to build capacity in, so that it resulted in sufficient scale to make the necessary investments in further innovation and growth. Societies like China and India are very entrepreneurial and it is not surprising that many micro-multinationals originated in these countries.

Nevertheless, in order to take advantage of the strength of specific regions or groups of people or organisations, clusters become an important way of operation. This strategy is discussed more fully in Chapter 3. The key is that in the globalised world, investments as well as production can come from anywhere and the products or output can be applied anywhere else. In such a situation, the economic drivers of such clusters become much more important than any of the other factors that cause such clusters to be formed.

Even though globalisation provides opportunities to make investments in any part of the world, it is only the most efficient ventures or that have the most potential for profit and growth that attract the most investment. In the current scenario, the regional clusters are to a large extent, driven by economic factors. For example, the region would welcome whatever will employ its people best, give them sufficient income, provide the best products and services and in general, improve their quality of life. This might include the setting up of industry, education, socio-political change and investments, wherever they might be from. The economic surplus generated is invested back or spent to improve the quality of life even further. It is seldom used to prop up distressed industries or fund politically desirable areas. The result of this trend is deregulation, which encourages global best practices to be employed, creates efficiency in operations and allows easy access on both supply and demand sides anywhere in the world.

2.4.2 Technology drivers for global advantage

In recent times, disruptive technologies have enabled a large degree of global participation. Some key technological changes have resulted in substantial changes in the way people interact both within and across organisational boundaries.

THE INTERNET

The Internet has given rise to new businesses and new business models. Some examples are Google and eBay, which would not have existed without the Internet. Many of these new ways of working have impacted consumer behaviour. An example is Indiaplaza, which allows shopping online. Another is Old Navy and several other retailers that provide a large amount of information online and complement the physical shopping experience. New organisational forms are also emerging such as open communities of interest. Market and consumer research can now be conducted across the globe simultaneously, spurring the comment that experiments are conducted in the global laboratory, rather than confined geographically. [16].

VOICE AND VIDEO COMMUNICATION

As people and organisations dispersed geographically and across time zones, work together in a tighter fashion and collaborate more, there is a need for a very high level of communication. With the advent of technologies that allow the sharing of visual images and content along with voice, it has become possible for people teams and organisations to interact in a much better way. However, human interaction still requires 'personal touch' and the understanding of body language. Video technologies that allow such interaction are now available. In global organisations, employees are typically spread across multiple parts of the world. It is important that the stay in touch with one another and with their organisation, even as they travel across time zones. Video on demand is one way in which organisations are able to cut across long chains of communication through multiple levels, enabling rapid dissemination of the right kind of information throughout the organisation.

DATA

In the global scenario, customers could reside anywhere, as also suppliers. With the increased mobility of customers across countries, the global corporation of today has to find ways of servicing these customers in a consistent manner wherever they might be. Supply chains have, therefore, assumed a global nature as well. Data and information in such complex situations is spread across different organisational units, both within and across the network that meets the needs of customers. Developments in information technology have had a pivotal role to play in enabling such complex organisations to work efficiently and effectively. Enterprise resource planning packages, collaboration platforms are two examples of technology that allows seamless operation across a global enterprise.

CONVERGENCE

With the convergence of voice, video and data, it is now possible for organisations to meet these complexities of operation in a very efficient manner, at the same time ensuring a much higher level of productivity. In fact, the convergence is resulting in the creation of new businesses as well as new business models. It is expected that further technological advancement will bring about an even greater set of changes over the next few years. These technologies enable the collaboration between individuals or groups of individuals without their having to undertake a physical travel. It is expected that this would result in a much higher level of organisational efficiency and allow organisations to focus on ensuring reasonable costs and sustainability of the environment.

Countries and the organisations in them are at different stages in terms of evolution as are the priorities that they have set themselves, consistent with their imperatives and status. Countries such as Korea and Singapore have a high level of technology integrated into their daily lives. This is also the case with North America, Canada and many Western European countries. India is in the process of building dependable bandwidth availability across rural and urban areas. Resolving challenges of information security remains high on the agenda, before we see an explosion of information and communications technology (ICT) usage.

In the foregoing, we have seen what motivates businesses to globalise, the factors in the global competitive scenario that drive companies to globalise more. We also saw that barriers to globalisation have fallen, thanks to advances in technology. In the following sections, the new global competitive environment is described in more detail.

2.4.3 The emergence of a new Triad

Increasingly, competition has been shifting from the originally defined Triad nations (US, Europe and Japan) to include more of the developing nations, especially of Asia. These countries provide the growing market for goods and services through their large populations. But they have also become locations from where products and services could be sourced by companies in the Triad nations. Perhaps, a new definition of 'triad' is emerging with China, India and the US at the centre. [17]

Historically, the US dominated world industry throughout the last two centuries. The first threat to this US domination was posed by Chinese companies. While most companies used to supply manufactured products to the known brand names from the western world, it was in 2002 that many of these companies started selling products under their own brand names. One example is that of the Haier group which sold a large number of white goods under its own brand name [18]. Until some time ago, Chinese brands were not seen as serious competition for several reasons

- Chinese companies did not have the scale required to compete globally, whether in terms of size or profits. Since China has a highly fragmented market, addressed by entrepreneurs looking for high growth [19], the result has been several regional brands rather than national ones
- The large Chinese companies that had a size that would allow them to compete globally being mostly state-owned, were not competitive.
- Lastly, the financial system would not allow companies to raise capital in an open market.

However, while these reasons indeed were true for several years, over time the government ensured suitable changes to policy, and encouraged mechanisms necessary for creation of globally competitive industry in the country. In Chapter 3, Section 3.9, we examine the evolution of Haier, an emerging country multinational from China. The cases studied in this research are emerging Indian multinationals and both similarities and differences may be observed between these different types of organisations from different emerging markets. The second major disruption was caused by the introduction of knowledge and information-based services from India. This was described in Section 1.2.

The definition of the Triad is undergoing a change, with the shift in the consumer base that is now able to afford a large number of products and services. This is reflected in the strategies of several MNCs , including those based in the West, who are investing more in China, India, Brazil, Russia (BRIC) and other countries that were until recently considered secondary markets at best. At the time Ohmae wrote his paper in 1985 [20], it was becoming apparent that three geographical areas were becoming the largest consumers of goods and services – Japan, the US and Europe. They were called the ‘Triad countries’ and for many years, and until now, the concept of the market and the strategies to be followed by multinationals were largely dictated by what these markets required. Over time, therefore, the processes that emerged as well as the assumptions on the basis of which action was taken, reflected the situation in these countries.

Ohmae pointed to four trends, the result of which was that companies desirous of global leadership would need to have a presence in these triad countries. These trends were increasing capital intensity, increasing R&D costs, converging consumer tastes and intensifying protectionism [20]. Over the last two decades, however, the trends have further changed and consumer tastes are converging, not just in the triad countries but also in all countries across the globe. This calls for a new set of paradigms to be followed. However, at the same time, with increasing awareness and instantaneous communication, we are also witnessing the importance of customisation and one-to-one marketing. Here, the individual customer has their own tastes and requirements and therefore, a mass market approach cannot really be taken by companies. This is causing a substantial re-think in their approach to the customer. A case in point is McDonald, who after entering India realised that they needed to customise their burgers to suit the Indian taste as well as cultural beliefs. This resulted in their launching an entirely different range of products in India as compared to the rest of the world.

In his paper, Ohmae has captured a set of issues that would be relevant to any company seeking to globalise in today's world as well. These are lessons learnt from the companies that had gained global presence through the Triad route. One of the most important requirements is closeness to the customer. Constant product innovation is recommended as are strong distribution channels. Given the speed and opportunities available, it is easily possible for imitators to replicate products or technological breakthroughs with high speed. Therefore, the company has to be constantly seeking opportunities to build a defensible position through innovation. The author realises that learning from the new markets in the triad countries, can help a company quickly transfer this innovation to a new market elsewhere with relative ease, including the home market. Since it is not possible for a single company to control all the components of its product offerings, the importance of sound alliances is indicated.

Ohmae describes three strategic implications from the analysis of the triad based multinational.

- Technologically advanced companies too have to constantly innovate and invest in growing their portfolios.
- Challengers can erode market share easily, with products that meet the new requirements of the market.
- It is important to think and sell globally rather than first establish the brand in the local market and then go global separately.

In the paper, the author lays down ten principles that define a triad power. This same set of principles would apply to any company that wants to establish a strong global presence even today. The factors are organisational as well as market-facing (knowledge of the local customer and competition). Max Michaels, in his paper, highlights the emergence of a "new triad" -the United States, China and India. [21]

2.4.4 The Competitive Environment in Asia

The last few years have seen substantial change in the way Asian markets have evolved. Asian companies in many countries have become household names across the globe. Asian manufacturing supports most of the global brands. These countries have even experimented with new models that create ecosystems more appropriate to the needs of citizens and industry. For example, Singapore, has introduced a high level of technology enablement into the way the city works and emphasises citizens' use of information in a big way.

Williamson points out four major shifts that he has observed in the competitive environment in Asia [22].

1) “The demise of the asset speculators” – No longer are Asian companies looking merely at adding capacity. They are looking at means of adding more value to the assets and resources that they have at their disposal. The changed focus, therefore, is on how to add value rather than how to increase the volume.

2) “China scatters the ‘flying geese’” – Earlier, the countries in Asia seemed to take up tasks that were relatively low cost, and as each moved up the value chain, another country took its place. This resulted in a predictable pattern that drove policy as well as business strategy. China, however, completely changed this scenario by engaging in a wide range of activities, low end as well as higher end tasks. With this, the challenge for companies is going to be how they are best able to understand the value drivers of each of the constituents of the Asian businesses and how best to place them and organise them for the most value.

3) “The breakdown of national economic baronies” – There are a large number of changes in the business environment, that include high level of cross-border competition within Asia, falling trade barriers, deregulation in a number of countries, reducing costs of communication and transportation. The impact of these changes is that many Asian companies have also been acquiring or setting up operations in other countries. All this implies a much higher level of cooperation amongst the subsidiaries operating in the Asian countries. A corollary is also that companies from other countries now need to have a unified Asian strategy as against their erstwhile fragmented approach to the Asian markets.

4) “The decay of ‘me-too’ strategies” – Primary consumer demand in an economy that is just beginning to establish itself and grow, is such that consumers are willing to accept standardisation and basic features. However as the Asian markets are maturing, the demands of the consumers are also increasing, so that they now demand much more from their products and services. This is true even of China and India that have large sections of the population who are not rich. Again, the implication for any company wishing to

operate in the Asian markets is that they need to provide much better features and a much wider range of options. They would also need to understand their customers much better and provide offerings that are customised to meet their requirements. Finally, the companies would have to invest in building stronger brands that allow them to differentiate themselves from other brands based on their own strengths.

The experiences of these Asian companies show that differences in markets require that organisations adopt different approaches to the way they compete in these various markets. However, almost none of the available literature pertains to Indian multinational corporations, especially the midsized or newly globalising Indian companies.

2.5 New Business Models

In the last decade, a considerable transformation of the way the world operates took place, with the advent of “offshoring”. This paradigm allowed organisations to locate a part of their operations in a different part of the world. The origin of this transformation may be traced to the software industry in which Indian companies such as Tata Consulting Services found they had a considerable cost advantage. In the beginning, the export of software professionals, who had the expertise to supplement teams based in the West, created a whole new industry. By the year 2000, Y2K issues began to surface, which required a very large number of professionals to work on software programs that might fail. At about this time, technological advances were beginning to allow remote working from India itself. Over a period of time, service providers have been able to bring more work offshore to locations such as India, from where services can be delivered round-the-clock with high-quality, and at much lower costs than if these professionals would be based in the West.

Following on from software services, organisations in India began to realise the potential for supporting business processes or a part thereof. Business process outsourcing (BPO) organisations were thus born. India, with its huge supply of English-speaking, trained college-educated manpower, was able to quickly take advantage of the opportunity thus presented. The remote services industry today is able to support a wide variety of functions in organisations. These range from front- end customer facing processes, through procurement and logistics, right through to upstream activities such as design. With these new business models, customers are changing their requirements; the success parameters are different, as compared to the past. This poses a new set of challenges and imposes new ways of working on organisations, their employees, as well as their business partners. Specifically, as organisations serve their customers across the globe, it becomes important for them to be available across time zones as well as geographies. In such situations, the concept of multi-shoring is useful. This involves locating teams of people in different regions such that they can provide services across time zones

In their study [23], the McKinsey Quarterly team concluded that the industries most likely to benefit from the remote services are car manufacturing, financial services, telecom, airlines, pharmaceutical, retailing, packaged goods and computer manufacturing. The focus in their paper has been on cost reduction as the major driver. However, in the experience of several multinational companies that are using India as a base for their remote services, it does seem that as salary and other costs peak, the focus is moving away from cost as the driver for remote services, to other factors such as competence, specialisation and value addition. As the offshore services industry matured, many service providers realised that with the kind of skills and capabilities that their employees have been able to develop, they can move up the value chain to deliver more knowledge-based services, better known as KPO or 'knowledge process outsourcing' .

2.6 Experiences of Indian companies in India

Companies in emerging markets are responding to these challenges in many different ways. As an example, let us look at the scenario in India. As an increasing number of companies based in other parts of the world turn their attention to India and its large market, Indian companies are finding it hard to ignore the challenges posed by these newcomers.

- stringent quality norms
- R&D and new product development
- global experience – customisation for specific markets
- ability to adapt to local market conditions
- ability to price suitably in order to capture market share
- strong brand and effective advertising
- robust execution through global alliances

For an Indian global corporation, apart from addressing the growth market in India itself, it also needs to address effectively, the market in other parts of the world. These markets could have very different needs from those seen locally. The need for active, formal mechanisms to build innovation in every aspect of the operation is therefore a critical success factor for Indian companies. By building products and services, business models and value chains that work for the resource-strapped Indian market, these companies in India can learn to build disruptive technologies for the future. They are likely to be environmentally sustainable products and technologies and will be important for the future. As Prahalad says, “If MNCs are to thrive in the 21st century, they must broaden their economic base and share it more widely. They must play a more active role in narrowing the gap between rich and poor.” [4]. p 10 This philosophy would apply as much to MNCs originating from India as from other developed countries.

However, blindly following a global strategy is not recommended, as different industries and businesses are better suited for different models of operation and strategy [24]. There are risks to following a global strategy, and therefore the decision to do so should be taken after due consideration to all these factors as well. Even the concept of “global” means different things to different organisations, depending on their strategic intent, their key market drivers, as well as their own industry parameters [25].

Competing in the global markets requires the mindset to change from that of addressing a set of local markets (multi- local) to thinking truly in terms of an integrated global organisation. In the former, the organisation addresses different domestic markets differently, through its subsidiaries in these countries, each operating under a common set of guidelines, but independently from each other. However, managing a global organisation does require enormous amounts of time, effort and resources especially for coordination amongst its various subsidiaries and units [25]. On the other hand, a global company is also able to leverage capabilities drawn from across all parts of the corporation, to address all the different markets it has elected to compete in [24]. However, these insights are found in literature pertaining to companies from the West or developed economies.

2.7 The Role of the Emerging Markets in the Global Economy

The common definitions of emerging market are around characteristics such as size of market, growth rate, or how recently it has opened up to the global market. Khanna and Palepu [26] define an emerging market as being in the middle of a continuum in between economies in which the buyers and sellers come together very effectively and those at the other extreme, in which there is market failure. Thus, at one extreme, there are those economies in which the institutional framework is very robust and support structures are very efficient. In such economies, the companies focus narrowly on specific activities. MNCs find it hard to do business in the emerging economies as they do not get the infrastructural support that they are used to in their home and other developed countries [27]. At the other extreme are those economies that are stagnant or decaying, in which the absence of institutions results in near-complete market failure. In emerging markets, on the other hand, many of these institutions would already be in place, while many functions of these organisations are carried out by the companies themselves. These economies still provide a large potential upside for business growth [26].

In their famous work, C K Prahalad and Hart [4] discussed at length, the concept of 'the bottom of the pyramid', to describe the very large Indian marketplace. According to them, there is a huge opportunity that companies have, to serve this relatively large, but much poorer market, with products and services that would be appropriate for them, yet would be capable of delivering profitability to the enterprise. They claim that this model is financially viable and self-sustaining in the long run. The experience of several organisations, including multinational corporations, is proving that this is indeed true. Das [28] expresses an opinion that the current phase of economic and financial globalisation has been able to spread prosperity in several parts of the world and has resulted in the expansion of the middle class. In many countries across the world will result a shift in the consumption pattern of goods and services. This is further likely to improve the spending power of middle income economies. In addition, a new low global ' middle ' comprising regional powers such as Egypt, Iran, Nigeria and Turkey seems to be evolving. [17]

Tarun Khanna and Krishna Palepu [26], in their 1997 article, mentioned that while the tendency in the developed economies is to move away from conglomerates, the dominant organisational form in emerging markets is still that of conglomerates – such as business houses in India, chaebols in Korea and grupos in Latin America. However, Khanna and Palepu opine that while business units are being made independent in the developed economies, in the emerging markets, due to structural weaknesses, the conglomerates are a better way of running the business. The applicability of many of the assumptions in their paper has undergone a sea change in the many years since it was published. But the dominance of large industrial groups in the emerging markets is still relevant. The implication for global business is that, for companies coming in from other parts of the world, the Asian and other emerging markets they would still have to learn to do business in the context of the large groups while in their home markets they might have very different forms of organisation.

In emerging economies, business groups have a large role to play. The chaebols in Korea and the large business groups in India are examples. In what might be viewed as a relatively small set of markets, these groups tend to be a mechanism to build some scale. They can have effects, both positive and negative, on the amount and kind of innovation that the group companies are able to engage in. Groups are able to leverage their resources, in order to provide the infrastructure necessary for innovation. The authors define four parts to innovation infrastructure - capital, scientific labour, sourcing of knowledge and vertical intermediation [29]. Typically, the group holding company tends to function as an internal venture capitalist, allocating resources to build new innovative opportunities. It also serves as an incubator for the talent required. It is much easier for the group with a reputation and scale to find partners and providers of technology in the global market. However, it would also be necessary that the group has a substantial share in any industry for it to make the necessary innovation investments. Thus, business groups tend to encourage and support innovation especially in those industries in which they have a large share.

On the other hand, if a group dominates in a particular sector, it would result in reducing the number of sources of ideas for the sector. Single industry firms are more likely to have the incentives to invest in building the infrastructure required for innovation in their specific area and industry. The authors state that established firms have significant advantages in introducing incremental innovation, but are also sources of major innovations. Newcomers on the other hand, have a major role in radical breakthroughs. Successful innovation, then, is typically the result of the interplay between existing companies in a sector and new entrants. Large groups tend to dominate their sectors and could well present barriers to the entry of new companies. It is, therefore, likely to result in limiting the amount of innovation that takes place in the industry [29].

In India too, there are several dominant industry groups which are conglomerates with varied interests in a number of different industries. All the companies studied clearly see innovation as being very important to their success, especially in the global market. The emerging multinationals from India, then, have to find a way to become innovative in an environment that has industry groups, some of which could be dominant players in the industry that they are a part of it.

It is not just in Asia, that groups play an important role. In Chile, there were three stages in policy change. The first in 1973 saw rapid and drastic reform. From 1981 to 1983, following the debt and currency crisis, there was a re-nationalisation, with government taking over several firms and reversal of much of the earlier deregulation. In the second stage from 1985, privatisation and strengthening of capital markets was undertaken, including privatisation of state-run enterprises. In 1990, with the advent of democracy in Chile, the role of unions was re-established and a lot of activity took place in the financial markets. In the course of their research, Khanna and Palepu [30] found that there is a significant rise in the threshold level of group diversification, above which groups have an incentive to invest in creating internal intermediation systems. Thus, the important observation by Grief [31] that “it is misleading to expect that a beneficial organisation in one society will yield the same results in another” is borne out by the longitudinal study of groups in Chile undertaken by Khanna and Palepu. They point out that the role of groups changes over time as the business context changes.

The foregoing discussion highlighted the fact that there are differences in the way business is managed in the emerging economies, as compared to the developed economies. As companies from the latter start to expand into the former, they have to learn new ways of working. Similarly, companies that expand into the global market from the emerging markets would also have to contend with different organisational forms as they continue their global growth. Most of the available literature pertains to multinational companies from developed economies expanding into emerging economies, and not the other way.

2.8 Changing Priorities

There is clearly a shift in the manner in which companies in various countries would have to view their business priorities in order to gain a position of strength in this new global economy.

In a detailed study undertaken for UNIDO, Lall [32] had the following observations.

- Any country that wants to locate its production and exports in the fastest growing markets must move into technology-intensive activities and upgrade its technology structure.
- It is important for those countries that want to learn from the spill-over effects of the leading companies, that they focus on technology-intensive activities.
- Countries that would like to participate in the production and supply chain of the leading companies of the world would need to build capabilities for technology-intensive activities and move much deeper into manufacturing, design, development and regional service.

In this context, the evidence goes to show that the exports from developing countries are now the largest in high technology. Until a few years ago, it would have been expected that most of the investment and participation of developing countries would be higher in low-cost areas, rather than in areas such as high-technology, which deliver a high degree of customer value, as well as higher cost. East Asia now accounts for about 75% of total manufactured exports and about 90% of the high -technology exports. The author further makes the interesting observation that for advanced activities, liberalisation and globalisation are leading to higher rather than lower barriers to entry for new competitors.

The early mover advantage is very apparent in the Indian software industry which recognised that it would be able to service the world-wide industry, several years before the customer base was able to recognise and understand the possibilities that this offered. The industry was, therefore, able to prepare itself well in advance and gain a leadership position. By tapping into relevant talent already available elsewhere in the world, the industry is well on its way to nullifying any advantage that other markets or talent pools might have over the Indian software industry [27]. Lastly, in the newly globalising world, the important role played by a new set of organisations – NGOs - and the overlap between government, business and civil society has been recognised. [17]

2.9 Elements of strategic participation in Asian markets

As a significant part of the global expansion is now taking place in the emerging markets of the world, it is appropriate to consider specific ways in which multinational companies approach these markets. There are four core ingredients that would drive the manner in which the companies respond to the changing market scenario in Asia [22].

- A new productivity drive – Company subsidiaries across Asia must be able to much better share resources and optimise operations, so that they are able to achieve much better synergies than has been the case in the past.

- Renewed focus on brand building and service quality – As mentioned before, the demands of the Asian consumer will increase in terms of levels of service and the features offered. To meet these additional requirements, companies would have to make sure that their customers are able to experience the best qualities of service in their respective markets. Asian companies are now building their own strong brands and with this, established international brands can no longer take their brand strength for granted. All companies that would like to establish and serve their customers for the long term in Asia would therefore be required to invest in enhancing the level of service to their customers as well building brands.
- Reaping cross-border synergies and driving consolidation – As the need for tighter integration is very high, the various subsidiaries can no longer be seen as independent businesses or indeed, even as loosely allied units. There would have to be much tighter integration that will ensure that the various Asian subsidiaries or businesses fit into an overall structure. With this, the organisation would be able to achieve much larger synergies, leveraging on the specific strengths and capabilities of each of these constituents. At another level, this trend also presents opportunities for consolidation of businesses. Identifying, assessing and executing overseas acquisitions, then, becomes a critical component of the strategies of organisations who would like to achieve leadership positions in Asia.
- Innovating in Asia – As me-too strategies are phased out, the emphasis in the Asian companies would move to innovation as a cornerstone of the strategy of these companies. Western multinationals coming into Asia would no longer be able to look at the Asian countries as sources of low cost material or labour, but will have to learn to benefit from the practices adopted by Asian companies. At the same time, they would also need to learn that no longer would it be sufficient to export technologies/ know-how built in their home countries. They would need to find ways of tapping into the skills base of the Asian subsidiaries.

A study of the automobile industry in various emerging markets [33] shows that there is no single direction that all are taking. A lesson that can be gleaned from Korea, a late entrant into this sector, is that the key factors that enable an industry to gain a significant presence in an industry are government support, clear vision of leadership and world class, product development skills and investment in R&D. Where the plants are simply plants established by MNCs, it is highly unlikely that any significant development would be undertaken. The products required in these markets differ from those that succeed in the home markets of the MNCs, and they would have to adapt in order to retain leadership positions, as the markets mature.

2.9.1 National competitiveness

In general, most literature points to the fact that the competitiveness of firms is heavily dependent on the overall competitiveness of the country. There are various definitions of competitiveness. Amongst these, perhaps one of the most accepted is that by the World Economic Forum which defines competitiveness as the ability of a national economy to achieve sustained high rates of economic growth. In the present situation, the growth rates of the emerging economies are much higher than those of the mature markets. However, these nations are still challenged with finding a way to not just produce goods and services that are competitive globally, but also build enough stability into the economy.

In their paper, Zinnes et al [34] have highlighted the importance of various factors such as synergies among and between firms, markets and government and well-functioning institutions. Institutions can play a key role in competitiveness. Institutional innovation can reduce costs and increase resource flexibility. However, their existence also implies that the additional costs would have to be incurred for transactions. The institutions should be designed such as to support the firms in the economy, and increasingly, make it easier to participate globally, as also promote local participation by foreign organisations. Equally important is the enforceability of law and legal stipulations.

The framework suggested by Zinnes, et al [34] addresses the issue of robust institutions. It identifies seven areas which influence the quality of institutions and thereby, national competitiveness. These areas are good government, openness, infrastructure, financial sector, labour markets, institutions, and technology. Khanna, Palepu and Sinha believe that institutional voids are one of the main reasons for multinational corporations failing when they standardise their approach to emerging markets [35]. In most developed economies that these multinationals come from, there are strong institutions that these organisations, therefore, take advantage of. Given that the status of institutions in developing countries is very different and typically much less mature, it is not correct to expect a smooth transfer of the processes defined in the home markets to the emerging markets.

The challenge for Asian countries, according to Radeler and Sachs, has been to create a ‘virtuous circle’ in which modern economic growth through new investments also results in the modernisation of political and economic institutions [36]. The authors predict that standards of living would continue to be much higher in the West. With higher global participation and progress, the average per capita income in Asia would rise to a third of the US level. This also signals a macro shift of the triad countries and the consumer base to the emerging economies, with their large populations. But as this happens, the overall growth rates are likely to fall gradually. The factors that determine the way in which these economies grow are policy choices, geography and demography.

We now examine how some Asian countries became competitive. Radelet and Sachs explain some key common threads that were observed by them in all the four tiger economies of Asia (Hong Kong, Singapore, Taiwan and Korea) as well as Southeast Asia and China [36]. These are - rapid export growth, prudent fiscal policies, high rates of saving, public policy supporting rising literacy and basic education as well as lower rates of population growth. Even as they continued to focus on manufacturing, these countries also recognized the importance of agriculture for sustainability. In a comparison between India and China, it is concluded that India's entrepreneurial ability, together with the dominant role of the private sector and increased focus on social inclusion may provide a longer term advantage over China, even though China attracts a much higher level of FDI. [37]

Just as the concept of clusters helped regions flourish, smaller neighbouring nations, taking advantage of a common focus area has also worked in a similar way. The example of Southeast Asia is cited, showing the importance of following a flying geese pattern with these countries choosing to focus on products of a similar nature, so that with global demand, all these economies benefited.

2.9.2 Globalisation of Indian companies and the role of government

The role of government is also undergoing a significant change across the world, with the shift in power moving away from the State to economic players [10]. With this, a redefinition of the role that governments play, is also taking place. As we trace the history of Indian industry over the last few decades, we see the way in which the government has influenced to a large degree, the competitiveness of the Indian firm.

The role of the government in creating conditions for Indian global organizations is very significant. Pradhan recognizes three phases in the government policies that have affected the participation of Indian organizations in the global economy [38]. In the first phase extending to the early 1980s from independence in 1947, India’s industrial policies were based on an assessment that the private sector organizations in the country on their own did not have the capacity to transform the largely agricultural economy into an industrialized one. The key focus of the country at that time was self-reliance. Large public sector organisations were setup to focus on several key sectors such as power, defence, telecom, electronics, aeronautics, etc. While many of these were strategic to the country and its security or advancement, others were not so strategic. Indian private sector was granted a lot of protection from competition from outside India, which meant restrictions on foreign direct investment and participation of multinational companies in the country. However, these policies also resulted in preventing Indian companies from accessing technology from overseas. In short, the policies were inward looking and not very encouraging for Indian organizations to develop global competence within the country, leave alone supporting them to become global organizations [39].

There was a serious shortage of foreign exchange at the time of independence in 1947. In such a situation it was practically impossible for Indian organisations to access technology from overseas. In order to deal with this issue, the government allowed joint ventures with established multinationals, however, with a cap on the equity participation by the multinational. The joint ventures would therefore have access to technology, and also be able to generate foreign exchange required to meet their needs. With foreign exchange in severe short supply, these Indian companies had to restrict the procurement in large measure to Indian equipment and technologies. It was only in 1956 that we saw Indian organisations venturing overseas. The Birla group established a Textile mill in Ethiopia in that year. Over the next two decades, Indian conglomerates, established about 200 joint ventures in various parts of the world [40]. This allowed these conglomerates as well as Indian business to get a feel for global business. However, given the many restrictions that they still operated under as well as their limited scale of operation, these organisations did not really aspire to become truly global.

The second phase of policy change from the early 1980s to early 1990s signalled the transition from an inward to an outward looking economy. The role of the government in making this transition happen was that of policy, as well as a change in focus to supporting the private sector. Liberalisation efforts were started on several fronts. Several industries were decontrolled and licensing requirements simplified or removed. Through a variety of mechanisms, the government supported export-oriented industries. Exim Bank was established to support Indian direct investment overseas. The entry of multinationals into India began and Indian organisations started to learn to compete with these experienced companies. This process helped them prepare for competition abroad. This period also saw the birth of several software firms that are now internationally recognized brands.

The third and ongoing phase since the early 1990s has seen more and more Indian organizations aspiring to be global players. Once again, the impetus for change in government policy came due to a massive balance of payment crisis in 1990-91. Following this crisis full-scale economic reforms were implemented and the momentum has been sustained despite some opposition to the new policies. Today, there are very few restrictions on private enterprise, with the license regime being removed, some sectors earlier restricted to public sector organizations now opened to the private sector, and also a more open environment for foreign direct investment. The government's policy on overseas investments clearly states that the government and the government agencies would now play the role of facilitator, rather than that of controller [41]. It has been observed that open economies might enjoy faster income convergence than closed economies. While it takes closed economies 37 years to close the gap between current and steady state income, open economies can do so in 17 years [8]. We are seeing the effect of the liberalisation policies of the Indian government, in the way in which the competitive scenario has been completely altered in the last few years.

There is clear evidence that as result of this liberalised environment, Indian organizations have become more globally competitive, and are in a better position to be part of the global economy. In particular, they have had to learn to compete with the global corporations in the Indian market, through a variety of innovative ways. While their new-found confidence has helped them defend or expand their positions in the domestic markets, this new climate has encouraged more Indian organizations to aspire to become truly global organisations [42].

The impact of changes in government policies in India and other emerging economies are reflected in the global investment statistics. According to Pradhan and Abraham [43], out of an estimated $ 523854 million of foreign direct investment in 1980, developing countries accounted for only $16484 million. By the end of 2000, the share of developing countries was around $ 710305 million abroad as compared to $ 5248522 million of developed countries. Mirroring these changes, during 1991-2000 for each dollar inflow of investment into the Indian economy, there has been an outflow to the tune of 23 cents. In the late 1990s acquisitions by Indian firms grew from $11 million in 1998 to over $2 billion in 2001.

In recent times, there is been some substantial participation by Indian organisations in other markets. Examples are Tata Steel's acquisition of Corus (the fifth largest steel producer in the world for USD 12 bn), Hindalco's acquisition of Novelis (the largest manufacturer of aluminium rolled products in the world, for USD 6bn), Tata Motors' acquisition of Jaguar and Land Rover (for USD 2 bn) and very recently, Bharti's acquisition of Zain. Apart from these giant acquisitions, there are several smaller acquisitions such as Tata Tea (Tetley), Tata VSNL (Teleglobe International), Apollo Tyres (Dunlop South Africa), Subex Systems (Azure Solutions UK), Aban Offshore (Sinvest ASA), Dr Reddy's Laboratories (Betapharm Arnezeimittel) and Welspun (Christy). As at the end of 2006, globally, of hundred emerging multinationals, 21 were Indian companies and 44 were from China [41].

It is estimated that Indian cross-border investment in companies was USD 117 billion in 2006-07. As against this, inflow of FDI was USD 132 billion during the same time. In the 2000-2001, while inward FDI was USD 17.7bn, the outflow was USD 11.8 bn. The economic crisis of 2008 -9 has of course resulted in a slowdown and the situation, once the global economy improves, is as yet unknown. Currently, there is considerable effort at making the acquisitions pay off. However, in order to ensure long-term sustainability and viability, the authors [44] suggest that it is important to keep labour-intensive industries viable so as to continue to generate employment. At the same time, both China and India need to address the several imbalances that they suffer from. China has followed a largely FDI-led strategy. However, the absorptive capability of a country, including human capital, technological capabilities and financial market development, is seen as being important for a country to gain from FDI . [45]

In the following sections, Indian participation in global markets is described, especially in three specific industries relevant to the study.

2.10 Indian Businesses in other countries

Apart from the financial investments mentioned above, a very large number of Indian companies have established a presence, to sell their products and services. They have opened their own country operations or liaison offices and hired people in these local areas. Apart from this, several companies have also established strong alliances where they have not invested in their own infrastructure. This suggests that Indian organizations are active players in the global market.

Indian businesses expanding into global markets have to contend with the same set of issues as those faced by multinational corporations from developed nations. Also, in some ways, many of the issues that apply to multinationals coming into India also apply to Indian businesses in the local market itself, as these multinationals are their competition and their strategies are what they face. As Pillania says, there is clearly an increasing presence of emerging market multinationals in global business; there are still several outstanding questions such as the common characteristics of emerging market multinationals and the challenges they face, that require more research. [46] Further, he also says that the despite the fact that India is a fast growing market with global importance, there are hardly any case studies about multinationals from India. [47]

Therefore, for this research study, three companies were chosen, all of which are globalising, in order to understand specific strategies of globalising Indian companies.

2.11 Competitive background of selected cases

A brief description of the competitive environment in which the chosen three cases operate is given below, in order to set the context.

2.11.1 Software services industry

The software services industry in India has a large number of players and has undergone considerable rapid growth, reorganisation and reinvention in the last several years. Indian software companies have been quick to adapt to various quality standards. Almost every software services company has been certified in one or more of various quality standards such as ISO 9000, SEI CMM Level 5, etc. In addition to this, many of their employees are encouraged to undergo specialist training in project and programme management (such as PMI). All of this has enabled these organisations to ensure extremely high quality and reliable delivery of services, with the result that they have been able to uplift the image of Indian software firms from being merely low-cost providers of manpower to becoming high-quality providers of critical services.

The companies that first come to mind when we think of software services, are Tata Consultancy Services, Wipro, Infosys Technologies and HCL Technologies. These organisations have grown extremely large over the last two decades. They have focused on moving from mere cost competitive providers of skilled manpower to becoming strategic business partners and building consulting capabilities that helps them move up the value chain. With large projects that last several months or years, and being in critical production support situations has enabled these organisations to build very strong relationships with their clients.

Several of the large global system integrators have also set up offshore centres, and this is a good way to the leverage the cost and skill advantages offered by India. Amongst these are companies such as IBM, Accenture, EDS and HP. At the next level in terms of size are companies such as MindTree, Polaris, and Cognizant. Apart from these companies which have been set up specifically to address the global software market, there are several multinationals, which have set up captive offshore centres for development as well as for support of the production systems. The Indian software companies therefore have to compete, not only with other software companies, but also with these captive centres.

Competition is fierce amongst these organisations. There is a clear realisation that they must find ways to differentiate themselves - especially in some areas which have become commoditised over a period of time and clients are extremely cost sensitive. There is a constant effort on the part of these organisations to find a niche for themselves or to drive their cost advantage even further. Some ways in which this is done are certifications, specialised industry or technology skills and alliances with specialist consulting firms.

There are also overlaps between companies that operate in areas that are adjacent to software services. BPO, KPO companies sometimes find themselves crossing thin line between the outsourcing that they have been originally chartered to do and the services offered by the IT services firms. The IT services firms are also diversifying into opportunities that they believe can be serviced by the competencies that they have developed and nurtured, and which they believe will yield better profitability.

2.11.2 Power industry

The power industry in India has undergone substantial change in the last few years. With the infrastructure growth slowing down, as compared with the last three years, as well as an expected slowing down of the GDP growth , the electrical industry overall has been battered, impacted with a slower than expected growth. In addition, exchange rate fluctuations, liquidity crunch, and the closure of some projects pose a problem.

In India, power generation has increased from 1000 MW in the early 50s to 140,000 MW. Transmission over 3700 Ckt kms has grown to 270,000 Ckt kms. However, there is still a considerable shortage of power supply is against demand. The latent potential for growth in this area is however extremely high, given that over 100,000 villages 56 per cent of rural households and 12 per cent of urban household are yet to be electrified.

There has been substantial growth in manufacturing to doubling of the tower manufacturing tonnage between 2003 - 04 and 2005 - 06. We have witnessed an increase in both the import and export of electrical equipment during the last couple of years in different areas. Some areas have seen a decline as well. Some expectations that customers have of the switchgear industry are timely delivery, excellent after sales service and better quality. Indian manufacturers are able to now compete and meet global quality standards. Given their exposure to global competition, many of these companies are seeing an increased complexity in the way they address their customer needs-in particular, the shortening of delivery times, and the decrease in size of individual orders.

2.11.3 Low voltage electrical components

In this industry, companies operate in the following three broad areas: Lighting, Wires and cables, Switchgear. Competition is becoming global, both in India and across the world. Several companies both in the higher end of the market, and in the next tier, are moving into new markets. As an example, Nigerian customers have access to a number of global brands, but also to relatively smaller companies from Italy, India, etc. In India, in lighting, the main players are Philips, Osram, Indo Asian and Havells. In wires and cables, IndoAsian, Havells, Naveen, Polycab and Finolex are the major players. In the area of switchgear, LandT, Legrand, Schneider and IndoAsian are the major competitors. Apart from these brands and established companies, there is also a large threat posed by many very small operators in the unorganised sector, both in India and from other emerging markets, notably China.

Overseas, the competitive landscape is very different and has been undergoing a change in the last few years. In the Middle East, Chinese and South European brands have the largest market share, Italian and Spanish and Korean brands are well-established. Premium MNC brands operate in a different price band. The European market is saturated with the major players being Alstom, Schneider, Eaton, ABB. In this way, the market is an extremely fragmented one across the globe, with a different type of competitor scenario in almost every market.

2.11.4 Fashion/ lifestyle retailing

The profile of the Indian consumer has changed considerably over the last 10 years. Many more people have moved into the Metros and have been exposed to a number of brands including major global brands in lifestyle products. At the same time disposable income has increased substantially. This, taken together with the higher levels of information available, thanks to the Internet, mostly, and the high level of exposure as people travel more to other parts the world both in business and pleasure , has resulted in consumers demanding more products from the retailers. We have seen a similar trend in the tier 2 and 3 cities as well. There is greater connectivity between the urban and rural areas, both physically as road and railway infrastructure is in has improved, as well as information through satellite television. Several people from the rural areas migrate to the urban areas for work either full-time or for a few months, (especially when they're not required to work in the fields). Such people do tend to return to their villages, on various occasions, taking back with them aspirations from their sojourns in the cities. They might also bring home products acquired in the cities. From a large number of villages, individuals do tend to migrate abroad as well for financial, professional and social reasons. All of this has resulted in these consumers, and those around them, responding to consumer and lifestyle products much more than they did in the past.

If we consider the watch industry, HMT was the only company manufacturing watches for several years, with a limited number of watches being imported. However, when Titan started to manufacture and sell their watches, they changed the face of competition and in fact, offered consumers very compelling reasons to buy their watches. Over time, Titan has acquired most of the watch market in the country. They used to manufacture clocks as well, which were subsequently discontinued. The jewellery market has largely consisted of unorganised individuals or small groups of individuals, creating made to order jewellery for individual consumers. Over the last decade, a number of organised and branded companies came to the fore. While most of these brands had been dominant regionally, some of them have expanded nationally. In general, due to global exposure, consumers have become much more quality conscious as well as demanding of designs that they expect to be the latest in fashion. Target segments that have emerged include youth, working women, and in many cases, men too.

The surge in consumption of gold jewellery also resulted from a change in the country's gold policy. Other lifestyle accessory products, including eyewear have also seen a remarkable change coming over them, and Indian consumers are being increasingly exposed to the global markets. Over the last five years, the discerning Indian consumer has become much more brand conscious, and therefore, wants an association with international brands both for self-confidence and for social acceptability. This trend is observed, not just in adults, but also in children. Several leading brands have created brand extensions that address these newly aspiring children.

Some of the prominent global lifestyle brands in India now are Tommy Hilfiger, Gloria Venderbilt, Boggi, Diesel, Mont Blanc, Rolex, Patek Philippe, Gucci, Tag Heuer, Sunglass Hut, Reebok, Nike, Piquadro, Rodenstok, Blumarine, Piaget, Cartier, Christian Dior, Hugo Boss, Calvin Klein and Swarovski. India has been a sourcing destination for clothes and accessories for several years. Swatch has been buying watch subassemblies from India for several years. What began as low-cost sourcing for several years, changed considerably, as India's value proposition underwent transformation with several manufacturers placing a much higher emphasis on parameters to do with quality and innovation. The reason for buying products from India, especially in the consumer lifestyle retail space changed to high-quality, from the earlier low-cost paradigm. Retailers such as IKEA, Tesco and Wal-Mart have consistently bought products from India for both the price-sensitive value and high-end segments. However, increasingly, the same retailers have now begun to recognise India as a large potential market and are finding ways to sell their products in the Indian market as well.

Globally, the lifestyle products market is very dynamic and intensely competitive. Products have a very short list span lifespan and are driven by the whims and fancies of the fashion world. There is a very high need for constant innovation, in order to stay in a leadership position-both in terms of products offered as well as the manner in which they are retailed. The same is the case in India now.

2.12 <u>Conclusion</u>

In the integrated global economy, the emerging markets have an increasingly important role to play. While 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 India, China, Brazil and Russia, as well as the many other countries in other parts of the world, these economies are also creating organisations that are taking on leadership positions in their industries in the global markets. 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. The drivers of globalisation include factors such as the deregulation of industries, economic progress in emerging markets, convergence and changes in the structure of industries and technology. Western companies coming into the emerging markets have tended to use the same models that were successful elsewhere, in these markets as well. However, it is seen that 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. These companies therefore need to re-work their strategies to reflect the applicable assumptions and variables. For the companies in the emerging markets, there is a need to find a set of alternate strategies that they might adopt in order to help them take a significant position in the global market, in markets ranging from their home countries to other countries all over the world.

It must be mentioned that a study of the available literature does not seem to reveal any single model that applies to organisations from different countries as they go global. We also saw that new business models are disrupting established ways of working. Indian companies in India are already facing 'globalisation' right in their home markets. In Asia, we see that while government has played a significant role in some countries, others have taken advantage of innovation, cross-border synergies, service quality and improved productivity. Finally, a background describing the industry dynamics of the three industries relevant to the study has also been provided. In the following chapter, we will study the factors that affect the success of global foray.

3 Chapter 3: Globalisation strategies – implications for Indian business

3.1 Summary

As the previous chapter showed, companies from emerging economies are now faced with a very different set of challenges in business environments that are not familiar to them; yet in this new situation, these organisations have to find ways of becoming successful even though the time available to build competitive advantage is becoming shorter, and the competition is becoming more intense. This chapter presents a **survey of relevant literature**. Although the published literature does not seem to show that there are any hard and fast rules or a single set of factors that apply to all companies or all situations, a generic set of critical success factors, has been derived, keeping in mind the priorities of globalisation. These strategy levers, which form the basis of, and guide, strategy formulation, have been classified into the following four groups:

- Energy: the capacity of acting or being active
- Capability: the facility or potential for an indicated use or deployment
- Resilience: the ability to recover from or adjust easily to misfortune or change
- Integration: the act, the process, or an instance of integrating; [*especially:* acceptance as equals into society of persons of different groups (as races)] [1]

[1] from the Merriam-Webster dictionary

The flow of this chapter is depicted in the diagram below.

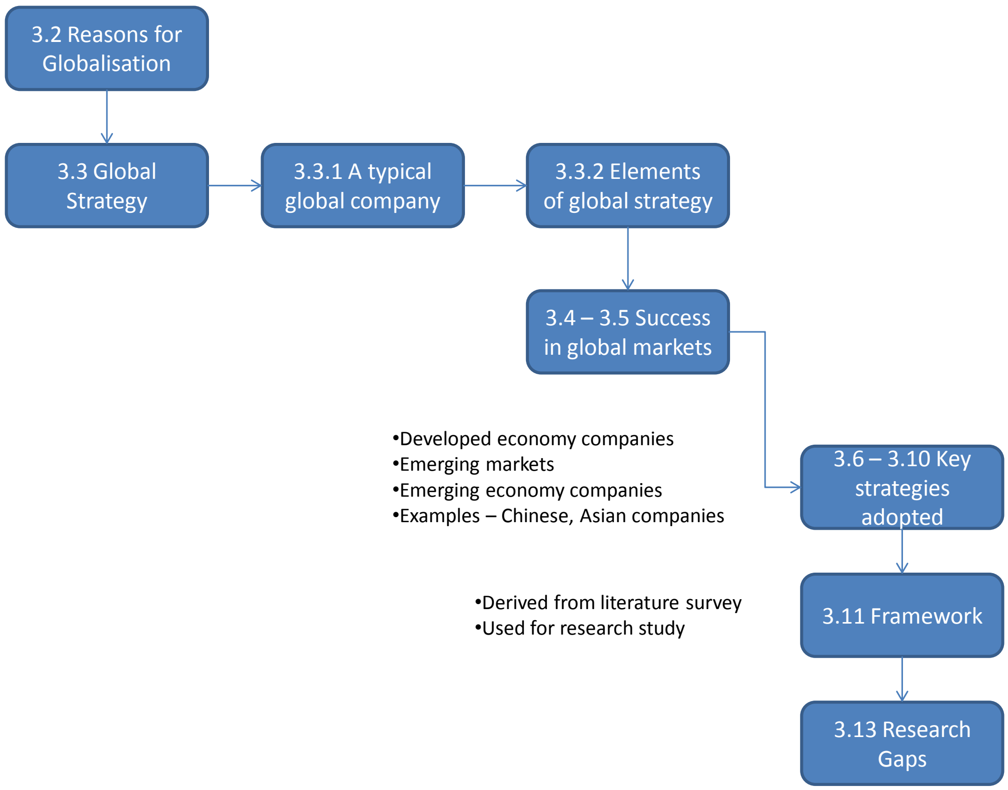

Figure 2 : Flow of Chapter 3

3.2 Reasons for globalisation

One common definition, from Wikipedia, is “globalisation describes an ongoing process by which regional economies, societies, and cultures have become integrated through a globe-spanning network of communication and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology.”

In his paper, Murphy lists three factors that made globalisation in its present form possible [48]

- unfolding of professional expertise

- marketisation
- material infrastructure, including transportation and communication

Yet, there is no single view of what a global organisation really means, as academics and practitioners continue to debate the subject. Over the last few years, as more organisations have expanded their operations to more locations across the world, a number of lessons have been learnt. One of the issues that organisations must address as they develop their global strategy is the extent to which they have to globalise and indeed, what aspects of their operations must become global.

As we saw in Section 2.6, the concept of "global" implies different things to different organisations, depending on their strategic intent, their key market drivers, as well as their own industry parameters [25]. Therefore, blindly following a "global strategy" is not recommended, as different industries and businesses are better suited for different models of operation and strategy [24]. There are risks to following a global strategy, and therefore the decision to do so should be taken after giving due consideration to all these factors as well. A noticeable gap in the existing literature is the question of what is right for Indian companies, particularly mid-sized Indian companies.

3.3 Global strategy

Chandler defined strategy as identifying the basic long term goals and objectives of the company, as well as the required action and resources necessary to achieve these goals and objectives. To Drucker, strategy is an indication of the organisation's positioning for the future. Strategy determines the selection of a few key areas or aspects by which the organisation seeks to distinguish itself. This strategy determines its major decisions and actions. Typically, strategy drives long-term actions which are therefore difficult to reverse. Global strategy is seen as the process of identifying market positions across national boundaries, building on global strengths as opposed to national strengths. There are three factors in global strategy that the paper identifies: competition, moving towards hyper competition resulting in disruption, rapid shifts in business environment as a result of entry of foreign competitors and the difficulty of predicting future trends. [49]

In the past, size determined the ability of firms to compete effectively in multiple markets. However, size is not very relevant in the global interconnected world of today. The process of adding value is not necessarily restricted by size, any more. Information is seen to be as valuable as products are. For example, a small company that transforms information into more valuable forms and sends that on to the customer is as likely to succeed globally as one that sells consumer products across the world. [19] However, none of the literature addresses the question of what kind of value smaller Indian companies can create in the global market.

3.3.1 A Typical Global Company

When we think of a global company, some of the names that immediately come to mind are IBM, Procter and Gamble, Unilever, etc. Below, we describe a typical global company, taking the example of IBM, so as to better articulate the characteristics of a global company in today's environment. A company with a legacy of more than 100 years, pioneer in the design and building of the computer, the company operates in most countries across the world. Over several decades, the company manufactured core technologies, ranging from mainframes to PCs. It also built various storage products such as hard disks that were required for effectively running computers. However, as the market matured and more competitors entered the market, several of these products became commoditised. In order to continue to retain market leadership, the company during the late 90s and early 2000s made a conscious effort to increase its services offerings. By the year 2005, approximately 60% of revenue came from services delivered and these were more profitable than the products sold. The company also divested some lines of business such as PCs and storage. As they were able to taking advantage of a trend towards outsourcing of IT operations, IBM was quick to offer a value proposition that stood apart from other competitors.

In creating its global presence, IBM, followed a number of different strategies in different countries. In some countries, IBM entered on its own; in some countries, it relied on local partners. In India, a joint venture was formed with Tata Group in India, after government regulations stipulated that multinationals could not have majority shareholding during the 1970s. Later, after liberalisation of the Indian economy, IBM decided to set up a subsidiary in India. As new business models emerged when more customers started to take to outsourcing, IBM acquired PricewaterhouseCoopers Consulting globally, so that it could address this market, in a more competitive manner. As more global customers looked to IBM to bring in their capability to support each of their global entities, it realised that the ability to bring global knowledge, experience and solutions was critical to its leadership. It therefore invested in ensuring that R&D, advertising, skill development and supply chain management functions were all carried out in a globally consistent manner. The acquisition of Daksh eServices in 2004 further enabled the company to added several other services to its existing portfolio. At the time of this acquisition, Daksh was already one of the top BPO companies in India. With the formation of IBM Daksh, IBM was able to create an end-to-end offering of managed services to its customers across the world.

In the meantime, IBM set up captive centres in countries such as India, China and Philippines, in order to take advantage of low costs and the available skill base. In addition, manufacturing business process outsourcing centres, etc, were also spread internationally. In order to optimize costs and operations across locations, the company undertook several initiatives in order to run consistent processes, while ensuring that local legal requirements of the local markets were met. The rules of business aggregation had essentially been driven mostly by the legal and other requirements of the home market. Global strategy however, required that in addition, investments in the various markets were driven by the key performance indicators for each of those markets. Mostly, the company builds its teams in different locations based on the expertise available. The standardisation of processes enables the company to shift work to whichever location it can be best delivered from.

All of this resulted in a number of changes being made to the organisation and the way of working, in order to better reflect the “think global, act local " philosophy required to be a successful global organisation.

3.3.2 Elements of global strategy

As in any traditional strategy discussion, one of the first questions to be considered while framing global strategy is what strengths the organisation can exploit in order to go global. However, the context in which the company operates has changed considerably. Over the last 15 years, new models of doing business have emerged and have been instrumental in changing a number of basic assumptions. One example is the huge growth of remote services that are delivered out of India. This capability essentially changed several fundamentals about the way in which business is planned, executed and measured not just in India but also all over the world. The concept of shared services that serve multiple operating units of the company was enabled by the feasibility of delivering financial processing remotely. Now, most global companies do not setup financial processing capabilities within each of their local units, but depend on a central financial processing unit. Another game changer that was enabled by this trend was the ability to outsource these services to companies that specialise in these areas, thereby providing a high level of expertise in them. It is important to think globally, but build in agility into the manner in which business is both organised and executed. When “global” becomes a mindset, the organisation starts to think about how parts of the business can come together from anywhere, both in terms of products and processes , to deliver to customers, wherever they are.

Some advice by various authors may be summarised as: [49]

- Rethink everything about strategy, including what strategy means
- The ability to gather and process large quantities of information is important for a robust strategy
- Constant innovation is required to compete globally
- Extensive internal and external collaboration is mandatory for success
- Opportunities to grow market share exist in the changed global context.

This further leads us to a discussion about the elements of strategy that firms should define when they design their global entry. The elements described here are competitiveness, entry into new markets, risk, services and adoption methodology. There is a gap in literature, which does not describe how Indian companies approach global strategy.

3.3.2.1 Competitiveness

Competitiveness is defined variously. However, for the purpose of this study, we start with the Schumpeterian definition: “the ability to carry out a range of competitive actions to capture and sustain an advantage” [50]. p 919 In the context of the global market and the challenges posed by it, we realise that even as the company is competing in its current markets, it also needs to seek out future sources of advantage and prepare to exploit them.

3.3.2.2 Creating Competitive Advantage

It is not merely sufficient that an organisation gain a global presence. Having gained such a presence, it must find ways of turning this presence into competitive advantage. In order to do this, it has to consciously identify the areas that provide potential sources of advantage and leverage and build upon them. Unless this is done effectively, the firm would merely have gained presence in other markets but would not be able to gain dominance or sustain a tenable position for the long term. Gupta and Govindarajan [51] identify five sources of competitive advantage. They are

- Adapt to local market differences
- Exploit economies of scale
- Exploit economies of global scope
- Tap optimal locations for activities and resources
- Maximise knowledge transfer across locations

Adapt to local market differences

As there are heterogeneous markets that the firm has to serve, it finds that there are differences in culture, language, income levels, customer preferences, as well as infrastructural elements such as distribution systems. Even in the case of large MNCs, almost all of the time, it becomes necessary to adapt offerings to local requirements. Being able to tailor offerings to specific markets helps companies improve market share, gain better prices and also improve competitive position. By adapting to local circumstances, the company is able to not merely address requirements specific to that market, but is also able to expand its market base by attracting new customers, with a different set of value propositions. At the same time, however, firms need to remember that over-adaptation can cause problems as the company moves away from the basics.

Exploit economies of global scale

By spreading costs, reducing operating costs, pooling purchasing power and creating critical mass, the company that is able to attain global scale is also able to further strengthen its competitive position. The risk however, is that making a mistake also reflects on a larger number of markets and countries than would be the case if the company followed a purely local policy.

Exploit economies of global scope

By being able to serve global customers in several locations across the globe, the firm is able to offer a very strong value proposition that includes consistency and quality of service and products in several countries, better coordination across countries and better costs. The greatest advantage, of course, is the common understanding of the customer's proprietary requirements that can be gained by the firm, which helps it provide more effective service across these many locations.

Optimal locations for activities and locations

One of the greatest advantages of operations that span across multiple countries is the ability of the company to spread its risks. The differences amongst the countries (distance as defined by Ghemawat [52]) can be exploited to leverage the strengths of each of these locations, thus gaining synergies that would otherwise be impossible. With these synergies, the organisation could reduce costs as well as enhance performance as the best possible skills from across the globe are brought together. However, perhaps the deepest challenge of this aspect is the ability of the organisation as a whole to overcome existing internal barriers that keep it from truly bringing in the best from each of the locations it operates in. Again, each location might provide superior value on different dimensions rather than the same one across all locations.

Maximise knowledge transfer across locations

It is recognised that each company would have to gain local capability and knowledge in order to serve its customers in the best possible way and attain a leadership position. This means the creation of local knowledge in each location. While some of this knowledge can be transferred to other locations, some of it might simply have to be disregarded as it is not relevant. The advantage of being able to share knowledge across locations is that it would enable the company to innovate better and faster, and also reduce the risk that competition might pre-empt a position in the market.

How Indian companies look at creating competitive advantage is an issue which has not been addressed in literature. In the following discussion, the issues taken into consideration in the process of entering new markets will be described.

3.3.3 Entry into new markets

Existing markets that a company is successful in lose their attractiveness as competitors gain market share, imitators enter the market or government regulations change or customers' needs change. There are limits to growth as the market saturates or matures. Sources of competition may come from other industries or from other players, who changed the rules of the game. Therefore, these companies do need to look at creating new markets.

3.3.3.1 Platform to compete from

The areas in which the company chooses to establish its leadership could be in primary areas such as a strong brand or supply chain, or in other secondary areas such as HR or technology. The cases in a study on “Investing in Eastern Europe” by Estrin, et al [53] point to the fact that the selection of markets is a very important decision that must be taken on the basis of sound strategic analysis. It is very important to understand the time that will be required for the investment to yield results. Even the setup in a new country could take some time and the company needs to factor this issue into its plans. The selection of the markets should be in line with the overall global strategy of the company. It has been found that EMNE's tend to focus mostly on mid technology industries. [6]

3.3.3.2 Location of new markets

The same paper suggests that the selection of new markets is determined on the basis of opportunity offered and the political climate in the country. Most companies now realise that emerging markets are important to them as they are typically the growth markets for the future.

As an example, let us consider consumer products. As traditional markets, typically in the West, saturated, the companies saw opportunities emerging in new markets in BRIC countries, with high populations, increasing disposable income and a more favourable government policy. Many emerging market multinationals tend to enter less contested markets at first. [54] Chinese software companies seem to be starting with culturally similar markets to begin with rather competing head-on with Indian companies in the more mature markets of the West. [54]

3.3.3.3 Mode of entry

Entering a new market requires considerable effort and investment, in areas including manufacturing, marketing and advertising, logistics, after sales support, HR, etc. Without having a clear understanding and experience of those markets, companies often find it difficult to get a clear picture that would enable them to plan, robustly.

So, the most obvious mode of entry into new markets is through alliances. Alliances are of several kinds, and offer a wide range of options for easy entry into new markets. However, the cases reviewed indicate that alliances can also be fraught with a large number of risks. [53] This issue is discussed in more detail in the Section 3.11.3.6 on Collaboration. Sometimes, the decision to invest in a country is taken after a length of time spent understanding the country. An older study from 1985 had shown that Finnish firms had operated in a target country for more than 12 years before making the decision to invest in manufacturing in that country. Typically, a three-stage process with experimentation, active involvement and commitment is often undertaken before making the decision to go global. [55] There is a gap in literature, as there are hardly any examples of the manner in which Indian companies entered new international markets.

3.3.3.4 Timing of entry - first mover advantage

Establishing a strong presence early on can provide significant competitive advantage, apart from time advantage as well as goodwill. Given the substantial additional challenges that the companies from emerging economies find themselves confronted with, they would find it easier to enter new markets earlier rather than later. Early entry into a market gives them the ability to understand and foresee risks better and put in place mitigation strategies in a more pro-active manner. [1] Ghoshal and Bartlett in their paper on "late mover advantage" explain that conventional wisdom expresses this same opinion. [56].

Leaders in entering the market generally gain the advantage of lower entry barriers including regulatory barriers, finding suppliers and pricing profitably. On the other hand, a pioneer also has to invest more in building the market and creating the need for the product (or service). Other costs include the training of the suppliers and other alliance partners. The pioneering company, in order to protect the early lead it has gained, invests more in setting up entry barriers so that new or likely competitors would find it harder to enter the market and offer an attractive value proposition.

There has been a lot of debate about the importance of being the first mover and whether such advantage lasts at all. The case of the PC industry is cited as an example of a case where the leadership is no longer with the original creator of the PC, Xerox Corp. Mittal and Swami [57] undertook a study to understand leadership of pioneering companies. They found that the pioneers tend to perform better than the followers in terms of sales, market share and profit. However, they also found that the first mover advantage is more significant in less competitive environments.

While a first mover advantage is important and can work as a barrier to entry for other competitors, it is not always necessary that a long-term advantage is established by the first mover. In going into new countries, it is important to understand the cultural issues involved and provide a suitable response mechanism to deal with these differences. In particular, the tendency of several multinationals to treat whole regions as homogeneous is erroneous. In their paper, the authors demonstrate this fact with some companies in East Europe. [53]

3.3.3.5 Timing of entry - Late mover advantage

Late movers also have advantages and this approach can also be a carefully considered strategy. We often hear about the disadvantage of companies that are late entrants to a particular market. Usually, these disadvantages are: a shorter time available for learning, delays with product development, not having enough investment ability to stay the course and unable to build a viable sustainable position. This gets amplified in the global context and we therefore assume that to attain a leadership position in the global market especially, it is extremely important that the company gets in early into the market.

However, there could be a contrarian view, given the experience of several companies and countries. [56] A prime example is that of Japan and Korea - both late entrants into the electronics industry. Yet today, they have transformed themselves from being seen as producers of low cost, low quality electronic goods to becoming market leaders who dictate industry trends as well as being the companies to aspire to. These countries have been able to achieve this turnaround in little more than a decade. Other examples are those of Ranbaxy, who changed the rules of the game with their approach to pharma products and Acer in the PC market. These examples illustrate that being a late entrant or mover does not imply failure. It is more important that the managers of the company believe in their ability to make an impact. They must understand their value clearly and be able to communicate this to the market in clear terms. This has been echoed amongst others, by Stan Shih, the founder of Acer [58]. While illustrations of companies from other countries including various countries in Asia have been documented, there is hardly any documentation on medium-sized Indian companies.

There are two clear strategies that companies can adopt when they enter the global market late [56]. One is that they benchmark other existing players and find ways of manoeuvring around these players. At the other extreme, the other strategy is to challenge the established players and their assumptions and ways of doing business. There may be other strategies that fall in between these two ends of the spectrum.

Whatever strategy the company adopts, however, the critical skill required is the ability to learn. Knowledge gathering and the ability to exploit it, alone can keep an organisation in a position to move up the value curve. Of course, in order to be able to present itself as a serious contender in the international market place, the company would have to have the right skills, products and services. More importantly, however, the senior managers should have the openness to absorb new ideas as they come across them. This sentiment has been echoed by Kanter [59]. More than anything else, it would seem that receptivity to new ideas and implementation of leading practices that caused success in other parts of the world or organisation are perhaps the most important factors that would determine the ability of an organisation to expand globally. Such organisations or groups of people are able to extend their horizons more and also, are able to work to higher standards. This in turn, is a factor that determines competitive leadership in the long run. As we see from Mariko Sakakibara and Michael E Porter [60], local leadership and competitiveness are extremely critical capabilities that enable firms to compete in the global market.

An example of late mover advantage can be seen in the global software industry. There is increasing competition from China in software services, an area in which

India had the first mover advantage for several years. Chinese companies are beginning to gain ground and change existing rules. This has forced Indian companies to make changes in their strategy, in order to address these new challenges. [54] So how are Indian companies learning to cope in such a situation?

3.3.3.6 Taking risks

As is well-known and oft-repeated, reward is associated with the amount of risk taken. Thus, a very important strategic decision organisations have to take is the risk-reward balance they desire or have appetite for.

In general, the risks in entering new markets are

- Understanding and responding to needs of local customers.
- Raising and managing capital and foreign exchange.
- Contending with political issues

In addition to this, reputation risk and regulatory risk are also very important and add a high level of complexity due to substantial legal / regulatory and cultural differences across nations.

The risks associated with internationalisation of companies from emerging economies are [1]

a) technology risks – ability to produce goods required in the demanding advanced markets
b) market risks – brand building and investment in other complementary assets, assisting the firm in countering liability of origin issues
c) financial risks – where the firm raises funds required to compete effectively in the entire cycle from development to scaling

In what areas do Indian companies take risks when they spread their wings globally? This question is not answered in extant literature.

3.3.3.7 Services Strategy

As compared to a product company, a services company faces a different set of challenges while crafting its global strategy. The framework proposed by Lovelock and Yip [61] is that globalisation of services would involve four types of responses – market participation, service offering, localisation of value adding activities and the approach to marketing. For each of these dimensions, the strategy should outline the degree of globalisation or localisation that is possible or desirable. The model further lists three types of services – those that are people-processing, possession-processing or information-based. In people-processing services, customers are part of the “production” process. “Consumption” occurs simultaneously with production. In this case, some amount of local presence is required. Possession-processing services enhance the value of the goods through some processes. Here, the customer does not need to be part of the process itself. Physical presence is not required to such an extent. Information-based services, on the other hand, do not require the customer to participate at all and the service might be rendered remotely.

Clearly, each type of service may have characteristics that make it possible to have a differentiated global strategy on each of the dimensions mentioned above, to a different extent, depending on its characteristics. Usually, services are a bundle consisting of the basic service offered, perhaps, together with several peripheral or supplementary services as well. The company can differentiate itself by changing the mix of core and peripheral services offered to its customers. The core, for example, could be standardised globally whereas the supplementary services could be more in tune with the local requirements or sensitivities.

From the foregoing, it would appear that decisions to be taken while entering new markets are: the unique value proposition of the firm, in line with the specific market needs and the strengths on which to compete. The mode of entry defines the manner in which the company enters the new markets. The timing of entry is extremely important. The risk appetite of the firm also determines the direction taken. Finally, the firm needs to decide how to organise for effectiveness.

India, it has been stated repeatedly, has considerable strength in services, and in fact, has been the undisputed global leader in the software services space. However, details of the strategies followed by Indian services companies have hardly been explored and form a large gap in research literature.

3.3.4 Defining strategy

In its survey of about 2700 executives, McKinsey [62] found that there are certain practices followed while formulating strategy. Some of the best practices taken into account in the survey are

- Explicitly taking into account the strengths weaknesses of the organisation
- Identify the top trends over the next 3 – 5 years and evaluate the effect of these on the business unit performance
- Top economic drivers of the performance of the business unit
- Explicitly take into account and assess risks
- Identity major uncertainties that could affect the strategy or performance
- Define the role of the business unit within the portfolio of the company

The research team found that companies that perform better are likely to have used at least 7 of the 11 best practices considered in their study. This researcher suggests that these and the other recommendations would be of relevance to the Indian global corporation that is defining and evaluating its strategy. Similarly, for any global corporation, the process followed in strategy formulation is extremely important, not just the end product namely, the strategy. In order to realise the benefits of any strategy, a shared vision is absolutely essential. While transitioning into a global organisation, therefore, companies would do well to focus on managing change. However, the survey seems to indicate that executives experienced a high level of tension during the process. In this context, the very process of formulation of the strategies is one of creating alignment, fostering joint working and ensuring commitment to the same set of strategy parameters.

3.4 Success in global markets

3.4.1 Challenges of global participation

Any strategy is only as good as the way it is implemented. There are cultural differences between the various markets addressed by the global firm. This would translate into differences in interpretation of concepts, the way in which products or services are used by the customers, the manner in which any communication might be interpreted and the way in which business relationships are established and maintained. Some of the factors that pose a challenge to a company that is trying to address the global market are listed below.

- Culture
- Language
- Legal frameworks and requirements
- Business practices
- State of the economy
- Local strengths
- Entrenched products and services
- Usage patterns
- Local adaptation
- Restrictions
- Government policy
- Distance from home market / manufacturing base
- Agility and responsiveness to local issues / requirements
- Resilience

Each of these factors poses both opportunities and restrictions for the globalising firm.

3.4.1.1 Special challenges of emerging economy companies

There are several special challenges faced by companies from the emerging economies as they enter new markets. [1]

a) High entry barriers posed by the existence of strong incumbents and institutional frameworks.
b) Existing competitors typically have sufficient resources that allow them to make investments in innovations frequently, resulting in very competitive markets
c) Negative market perceptions about products from developing countries, implying the need for establishing a strong brand and making other investments

While each of these challenges seems logical, are there any other challenges that Indian companies, especially mid-sized ones, face?

3.4.2 Measures of success in global markets

This section explores the factors that determine the success of an organisation in the global marketplace.

Most organisations measure their success using a balanced scorecard addressing various groups of performance indicators on the financial, customer, business process and learning dimensions. These parameters apply to global companies as well. Another view suggests that the perceived value of a company is based on four variables : the net present value of cash flows from legacy assets, growth opportunities in hand, ability to generate new options and flexibility to change its financial and ownership structure. [63]

However, there are a few additional factors when we study global organisations. These factors are to do with the manner in which the organisation is able to take advantage of its global nature. Yip [64] classifies these measures into those to do with:

- Organisation structure
- Management processes
- People
- Culture

Further, in order to assess the degree to which the strategy being followed is in line with the areas of competitive advantage that the organisation seeks to achieve, it is also necessary to review, from time to time, the sources of advantage and how each is being addressed in terms of action as well as identifying the sources of innovation and the investments made.

Ohmae [65] lists several factors that he believes define success. He says that traditional methods of performance evaluation are not of a lot of value in the new reality. Strategy should not be a reaction to competition. Rather, it should address the real needs of customers, based on the freedom available to the company, rethink its offerings, and finally, the best ways to organise itself to achieve its goals. The competitive situation is used to test out the strategies and their applicability. Only if the entire exercise is focused on the end goals, can it be sustainable in the longer term. An outcome of such a strategy would be the identification of possible new markets. For example, “blue oceans” represent hitherto unknown new market opportunities that the company could serve.[66].

Companies have to get pacing and synchronisation right, in order to be able to deal with the distances due to differences in time zones and the cultural perception of time and its implications [50]. For this, the organisation has to accelerate the pace at which it innovates. Thus, innovation extends well beyond the product to the organisational processes that drive how it can compete. However, all processes cannot be accelerated to the same extent.

The Uppsala theory [67] states that as a company gains experience in a country, it also tends to increase its commitments to that country and change it strategy incrementally. It has also been found that sometimes, companies are often able to establish themselves in international markets even before they have successfully established in their home markets. This is true of industries such as Indian software. When companies operate in multiple foreign markets, there are several risks to be managed in order to be successful. Inherent in any strategy is a certain element of risk. The risks to be contended with are many more when a firm operates in multiple countries. A question that arises at this point is what sort of commitments Indian companies make as they become more international.

The fact of a company having been successful in a particular market or a set of markets does not imply automatically that it will be successful in new markets as well. Each market is different and the factors that went into a successful strategy in the past could become limiting factors as the environment changes rapidly and the assumptions therefore are no longer relevant.[68] Hamel and Prahalad [69] point out that in an economy with abundant resources, it is less likely that the organisation would stretch itself. On the contrary, companies from emerging economies like India have to compete in a market without sufficient wealth or resources. Such organisations would therefore have to find ways and means of using the available resources in order to achieve more. Every organisation will face “strategy decay” [70] over time. It is necessary, then, to ensure that the organisation is re-oriented towards its vision, in line with the newer realities that it finds itself in. This would mean that it needs to innovate constantly. How important do Indian companies consider innovation, in what areas do they innovate, and how do they do so? This is a glaring gap in extant literature.

In the new global organisation, new roles are being defined. One of these roles is ensuring that integration is achieved and that learning and corporate strategy are reflected and adapted as required for each of the individual markets. [13] Bouchikhi and Kimberly [71] propose a layered model of organisations, with the identity of the organisation at the centre, which drives its strategy, which in turn defines how its operations are carried out. In fact, all elements of strategy, in order for a coherent approach to the market, must reflect this essence of the organisation. Any action that is not in line with this essential character is likely to be short lived. For example, there are an increasing number of alliances being built including several acquisitions. In such situations, the conflict between the essential identity / character of the firms entering into the relationship can be the basis for lack of success in delivering the planned results.

No discussion about success in business would be complete without describing the risks involved. A study by Shrader et al [67] identified three risk categories amongst which the company has to trade off at all times, to balance the risk – reward equation. They are

Economic and political risk of the country

Degree of commitment to the market entered

Foreign revenue exposure in that country

Resilience is defined by Hamel and Valikangas [70] as the ability of an organisation to reinvent itself and redefine its strategy as the circumstances change. Further, they say that "It's about continuously anticipating and adjusting to deep secular trends that can permanently impair the earning power of a core business. It's about having the capacity to change before the case for change becomes desperately obvious." [70] p 53.

In summary, the success of global operations may be broadly measured against the following factors:

- Acceptance in multiple markets, as evidenced by customer response to the firm's offerings.
- Organising in a manner that creates the best efficiencies and that is most conducive to managing largely geographically dispersed customers, workforce and partners.
- Sustainability which manifests through the models of business adopted in various market segments, as well as constant innovation.
- Resilience, which is reflected in the way organisational practices, both standard and specific to different markets, help the organisation weather changes in the environment and lead the market.

Various issues pertaining to resilience, which is an extremely important characteristic of global companies, have been raised in the above. However, there is a gap in literature as there is no description of how Indian firms address these issues.

3.5 <u>Adopting a global strategy</u>

3.5.1 Approach to internationalisation

Young points out that it is rare for a smaller multinational that follows a focused strategy to even think of becoming a global organisation. [55]. However, this has perhaps changed now, with the born-global companies being designed with exactly the global market in mind. When smaller organisations go global, they are faced with two issues – that of inexperience and that of not knowing what they do not know. There are several ways in which organisations deal with these uncertainties. Clearly, a higher likelihood of success awaits organisations that start with their known strategic strengths and advantages and then internationalise in a systematic fashion, keeping these strengths at the core. This was also suggested by Bouchikhi and Kimberly [71], as we saw in the last section.

In their paper, Yip and Monti [2] suggest an approach called the “way station approach” to go through the process of internationalisation. In this approach, they suggest four steps:

1) Plan -
   - Anticipate needs of customer and prepare to meet their future needs better than competitors can
   - Research markets thoroughly to understand them fully
   - Lead with own strengths
   - Define success in broad terms and set goals for the organisation
2) Select the mode of investment
   - Maintain majority of the decision making power
   - Quickly expand the base of customers to beyond existing customer base
3) Deal with roadblocks
   - Recognise challenges that are likely to be faced in the new markets and prepare to respond
   - Take a long term view

4) Make commitments based on a global approach
   - The new country becomes an integral part of the global organisation
   - Give the foreign venture sufficient time to bear fruit
   - Bring back technology from the foreign firm into the domestic and other markets

This approach recommends using the core competencies or capabilities and strengths of the organisation and building on them in the newer markets.

Competing in the global markets requires the mindset to change from that of addressing a set of local markets (multi- domestic) to thinking truly in terms of addressing global markets. In the former, the organisation addresses different domestic markets differently, through its subsidiaries in these countries, each operating under a common set of guidelines, but independently from each other. However, managing a global organisation does require enormous amounts of time, effort and resources. [25] On the other hand, a global company is able to leverage capabilities drawn from across all parts of the corporation, to address all the different markets it has elected to compete in, thus optimizing its capabilities better. [24]

Very often, even though a business might grow based on local or domestic requirements alone, it could well have the potential to grow into a global business. For example, automobiles were managed as local businesses until competition, global scale and the technologies and infrastructure as well as markets demanded that the industry become a global one. Similarly, packaging or product innovations that were created for the local consumer in India, could well apply to other similar markets in other parts of the world. For example, the single-use sachet packaging for shampoos that were introduced in rural India is today a concept that can be used in the large rural markets of China or Brazil, as well as for other segments such as the frequent traveler. The same idea is now used for other products too, such as snacks.

Once an organisation sees the ability of its business to address the global market, it would need to address questions such as the following.

- Strategic innovation: in order to move from local to global, what kinds of innovation would be required?
- Strategic position: can the company establish and defend a global strategy? What should it do in order to do this effectively?
- Resources: What kinds of resources, and over what period of time, are required in order to make the global strategy work effectively?

Ultimately, the extent of global operation will depend on the company's aspirations, its vision and its profile. While crafting the strategy, it is important to understand the company's own needs and strengths and address them. [25] The strategy is built around discovering a point of view of the future [4] and then working to evolve a roadmap from the present state of the organisation to where it wishes to go. Young [55] recommends an iterative evolutionary approach to expanding globally, learning and changing direction as required.

As we can see, much of this literature is based on multinationals from the West and describes their strategies and other issues as they go global. There is a gap in literature pertaining to emerging market multinational companies and in particular, Indian companies.

3.5.2 Regional strategies

There has been considerable debate as to whether at all any truly global organisation can exist, and what its possible characteristics might be. The customers and regulations play a key role in determining the products and services to be offered and the manner in which they would be positioned in the market. In this context, many industries are not necessarily truly global in nature, with common market characteristics and similar offerings. Therefore companies look at building regional strategies that would make their offerings more relevant to the consumers in local markets. Traditionally, the major regions, as first identified by Ohmae, and named the 'Triad', are the United States, Europe and Japan. Several of the large multinational corporations continue to be structured along these lines. In addition, many of them now have organisational units focused on emerging markets as well. This thinking reflects the assumption that countries which form part of a region are similar, and that the customers have similar wants. While this might have held true in the earlier scenario, with Asia becoming a major market, this assumption of similarity is questionable.

Rugman's point of view is that there is no need for managers to think globally but only in terms of being part of a region of the Triad. The organisation elements of innovation, etc would also then be built on the same assumption of a region-based organisation. In line with the market requirements, seldom are multinational enterprises single monolithic entities. Usually, they are organised by region around groups of markets that they serve. [72] Some of these assumptions are changing, as disruptions are brought about by changes in the wealth and demographic distribution, as well as the advent of information and communications technology.

3.5.3 Cluster strategies

A different approach is advocated by Porter [73], who speaks of clusters as a more effective way to organise a global business. While locations were used as a source of comparative advantage in the past, esp when they provided a specific input or a special facility required to conduct the business, this is slowly fading as information technology is transforming the ability to move capacity and information globally. In this scenario, clusters are a good way to collaborate, build capability and capacity, as well as generate relevant skills. Healthy competition also ensures that there is sufficient innovativeness.

According to Porter’s definition, clusters are geographically concentrated groups of interconnected companies and institutions in a particular field. Clusters encompass linked industries and other entities important to competitiveness. [73] Clusters affect competitiveness within countries as well as across national borders. Clusters call for high levels of integration, and collaboration between the firms in the cluster. This also means implementing newer ways of managing the business. The matter of making collaborative ventures yield results is dealt with more fully in the Section 3.11.3.6 on Collaboration. The advantage of the cluster is that it provides all the members the ability to think as if they had larger scale, but continuing to be as flexible and agile as they have been as small companies. A vibrant cluster can bring about innovation. Where clusters intersect, there is possibility of new business ideas and models emerging.

In China, the government encouraged and supported regional clusters to form. These clusters were able to share resources and thereby become competitive in the global scenario. In India, clusters developed in several parts of the country. Ludhiana in Punjab had a large concentration of light engineering goods, electrical goods, and warm clothing. Tirupur in Tamil Nadu was where hosiery ready-made garments, especially for the export market, were made. Around the manufacturing facility of the automaker Maruti Suzuki, a large number of auto ancillaries sprang up. These clusters benefited from a focused approach and government support. Of late, however, with the opening up of global competition several clusters have suffered. Examples are the footwear clusters around Kanpur and Agra. Recently, the government identified several clusters as part of the effort at making Indian manufacturing globally competitive. In this connection, the National Manufacturing Competitiveness Council has been set up and has recommended an approach to modernise manufacturing hubs with the help of information technology. However, the outcome of these investments is not yet apparent. Recent times have also seen investments by European and Japanese companies who are setting up small manufacturing bases in India. About 250 German companies have established ventures around Pune.

In the previous sections, the concepts of strategy, in particular global strategy, was described. The manner in which strategy is formulated and adopted was also explored. In the following sections, strategies adopted by developed economy companies will be described, followed by how they approach emerging markets. Other emerging economies such as China bear a resemblance to India, and therefore literature about them is also described.

3.6 Key strategies of companies from developed economies

Traditionally, established multinational corporations have invested heavily in building new products and optimum processes and have used this effectively in their global foray. It is obvious that innovation is key to building a successful global company. However, for the innovation to bear fruit, there should be a market position that allows the company to realize the benefits of the innovation. Therefore, apart from ensuring that all parts of the organisation are innovating in products, processes, organisation and the use of technology, the company has to also focus on building an extremely strong market position in key markets. As in any other strategic situation, the organisation has to address all the various elements of strategy simultaneously. [74]

The researcher studied the strategies followed by different successful global corporations. These key strategies are described below. It was observed that while by and large all of them are applicable in one way or another to most of these organisations, there are some specific ones that have been applied consistently by each and these have been the cornerstone of the strategy adopted by the organisation.

Key strategies

1. Build barriers to competition
2. Invest in technology
3. Invest financial resources
4. Marketing
5. Build on national strengths
6. Build on local strengths
7. Enrich product and service offerings
8. Innovation
9. Location advantage
10. Effective global strategy
11. Build strategic alliances

3.6.1 Build barriers to competition

Caterpillar Tractor Company built two such barriers, by building a very strong global distribution system and by building worldwide production scale. The dealership system grew very profitable and therefore became self-sustaining. Caterpillar has invested in a few large-scale state-of-the-art manufacturing facilities to build the components that go into their equipment. Despite steep competition from other global players as well as from local players, Caterpillar has been able to retain a strong leadership position. [24]

The company constantly monitors the competitive landscape and consciously takes step to create barriers in those markets that it considers key to its success globally. The consideration therefore would not be strategies for each local company, but rather, the corporation as a whole. This requires a substantial change in mindset from traditional financial measures of success that organisations are typically measured by.

Do Indian CEOs consider a discussion on building barriers to competition in the international market as relevant, given their relatively recent phenomenon of expanding globally?

3.6.2 Invest in technology

In the long run, only those products and service that deliver true value and live up to the product promises will survive. Therefore, investment in the relevant technologies on an on-going basis is very important.

Ericsson focused its global strategy on growth through emerging markets as well as in other smaller markets that used similar technology standards. Investment in the key element of technology, namely switching software, at a time when hardware still formed a large part of the costs of switching systems, has now created a very large barrier to entry for other competitors. Its ability to foresee the future of the technology curve and identify the elements that would afford the most advantage in the future, enabled it to make the right investments and ultimately, in carving out a niche but highly profitable market for itself.

Honda has consistently invested in creating technologies that competitors are trying to catch up with. With superior engineering as one of the key differentiating factors in Honda's strategy, this investment is very critical to the organisation.
How do smaller Indian multinationals approach investment in technology, especially in the global market context?

3.6.3 Invest financial resources

Caterpillar follows the practice of investment in the business, rather than dividend payout. This is of great importance for a company that has to constantly lead its industry and therefore has to create game-changing plays. [24] The global leader has to make these large commitments ahead of any of its competitors. Similarly, Cisco has believed in building up a large cash reserve as part of its strategy. This reserve has helped it to gain a high degree of staying power and prepare for the upturn, even when the global economy is going through extremely tough times. Over the last 10 to 15 years, Cisco has made over 130 acquisitions and has been able to successfully integrate a very large percentage. This has been enabled in large part by strong management of financial resources as a key element of its strategy.
With the limited financial resources that most mid-sized Indian companies have access to, how are they able to compete against larger multinationals with many more resources?

3.6.4 Marketing

By successfully identifying the markets that are of strategic importance to the company, and investing significantly in each of these, it is possible to build the market mix that is willing to pay a premium for superior products and services. A case in point is that of Honda. Through several related marketing tactics, Honda was able to create preferences for its products in the markets it had selected. Since a marketing message is only as good as the delivery of the promises made by it, huge investments were made in building a robust network of dealerships and service centers. Honda introduces products that are the relatively low in profitability, but which allow a customer to buy them at a more affordable price. By then creating a high degree of brand loyalty amongst its many customers who use its products, Honda is able to persuade customers to migrate to high-end, much more profitable models. This gives the business the stability required to sustain the business. [24]

Given the liability of origin issues that Indian products suffer from, is it even possible for them to aspire to such international brand loyalty? In what other ways do they market their products in other countries?

3.6.5 Build on national strengths

It is important that the business undertaken by the company be in line with the national strengths of the countries it is operating in; specifically, the truly global company may choose to build on strengths in its various local units, for different aspects of the business. The home base of the company is the country in which the essential competitive advantages of the company are created and sustained. [75]. The base of skills and talent required to build the core competence of the organisation, the resources required to enable it to become competitive, existence of clusters of similar industries that help the company innovate in response to changing requirements and challenges posed by its competitors, are all key considerations in finding a suitable home base for the company. The role of the country and its government cannot be understated. Singapore, for example, has consciously focused on building a “national innovative capacity” in order to address the needs of the knowledge based economy. [76] This has been possible only because of the relentless pursuit of this vision by the country together with all its relevant companies. It has required the organisations to collaborate on several counts, the interaction and collaboration between academia and industry and investment in absorbing new technologies in a big way for the daily lives of its citizens. Singapore has constantly changed its focus, based on those industries it considers most appropriate and suitable for its national competitiveness. [76]. Such strategies can take a very long time to yield results and therefore, the government and political system must permit the patience levels required to see that results are achieved. [77]

In order to build competitiveness in its companies, a country must focus on providing an environment in which it can compete with other companies that enable it to learn to combat competition, as well as to help it learn to innovate constantly. A strong domestic competitor would be a fitter global competitor as well. [77] Such a strategy, however, assumes that several interrelated factors are managed well. In this the role of government is especially important. The interplay of dynamics and work by public, private, government and not-for-profit organisations if managed well would result in key innovations emerging. [78]
An area not seen in extant literature is, which India country strengths do Indian companies consider important and how do they build on those?

3.6.6 Build on Local strengths

It is to be noted that any ideas or technologies that can be accessed at a distance (eg over the Internet) cannot form the base for sustainable competitive advantage, as they may be easily replicated. In such a situation, strength lies in building on local competence, in each market addressed by the company. [79] The same sentiments have been echoed by Gurcharan Das while speaking of the success of the Vicks brand in India and the local variants that had to be introduced, in the process, the positioning, the brand value and even the distribution system. [80]

Several technologies as well as product and service offerings are created, which are specific to a particular country, region or ecological conditions. [78] The successful global corporation is one that is able to take advantage of such innovations and take them to other markets and other countries in which it is operating. It would also be sensitive and ensure that its offerings do align themselves with any such local requirements or adaptations as may be necessary. [80] Some examples are the vineyards of France, leading to fine gourmet tourism around wine tasting; and health tourism, centred around Ayurveda in Kerala.

Do Indian companies entering other countries necessarily use products and services built for India as the basic offerings? In what way do they use the models in India for global success?

3.6.7 Enrich product and service offerings

In order to provide better products and services to their customers, successful global companies are able to adopt the best practices and ideas from across the world. Further, they are able to integrate these ideas into the offerings in a manner that makes their offerings much more robust and competitive than those of their competitors. Collaborating with key customers and understanding their requirements fully provides critical inputs to the organisation. One example is that of Airbus Industrie, which is able to tap into pockets of expertise across its various units: wing aerodynamics from the UK, avionics from France and flight control from the US. In addition, in building its products, Airbus draws upon the requirements gathered from the carriers that use its planes to serve various parts of the world. Nokia has been able to deploy skills from various countries in order to build products that appeal to all the markets it operates in. The innovations it builds take into account the needs of special or growth markets as well. [81]

As Indian companies expand globally, how do they modify their offerings to suit global markets?

3.6.8 Innovation

Prahalad has said, as have many other authorities in management, that continuous innovation is the only source of sustainable advantage. [4]. Innovation in product and / or services offered by the company, as well as in the processes within the organisation, in the way customers or markets are defined – all of these can be used to change the rules of the game, thus creating competitive advantage. As industries and technologies converge, and as the growth markets shift, organisations in the developing countries must equally well focus on innovation as a serious undertaking.

While companies such as 3M are very well known for their innovativeness, [82] several recent examples of innovation in the Indian market can be cited such as Amul, Aravind Hospital and others. Such innovations can be applied, not just in India where the concept arose, but can be extended to other parts of the world, where the drivers may be cost reduction, achievement of scale or other strategic factors. A gap in literature is, how does such innovative capability help Indian companies to compete globally. It is also further explored in Section 3.7.1.

3.6.9 Location advantage

By strategically using geographical spread, global organisations are able to build scale as well as advantage that is difficult for competitors to copy or replicate. Typically, this strategy seems to work for larger organisations. Two examples of this approach are described here.

In 2006, Cisco decided to rework its global strategy. Recognizing that the markets of the future are in the emerging economies, it realized the need for a higher presence closer to these markets. After examining its various options, the decision was taken to establish a “globalisation centre” in Bangalore. The headquarters had always been in San Jose, in the United States of America. With the establishment of the “Globalisation Centre East” in Bangalore, the headquarters would function from San Jose and Bangalore. Over a few years, several roles across all functions in the headquarters i.e., Globalisation Centre West in San Jose, would move to Bangalore. This would enable 24 x 7 support of customers across the entire world as the company could take advantage of the time zone difference. The reasons for this decision were:

- the ability to tap into the huge talent pool in India

- the recognition that future innovations would come out of the emerging markets
- the proximity to customers across Europe and the Middle East, and throughout Asia Pacific, allowing for closer partnerships with them
- the ability to work much closer with strategic business partners, many of who are based in India.

Other globalisation centres would be established over a period of time, to address specific needs and in certain domains.

IBM on the other hand followed a different strategy, which has resulted in building a huge base of over 100,000 employees in India. In order to build the capability to support several large projects with customers in the West, IBM built its offshore centres in India. As the size of these projects continued to increase, and as project became more complex, the team in India was able to support and add value to the on-site teams. Recognizing, the cost advantage and skill base in India, the company continued to invest in building an extremely large team. However, once the cost differential decreased, centres were set up in other countries that offered a better cost advantage. Very early on, IBM research laboratories were set up in several locations in the US, Europe, China, Israel, and India, based on the special skills and capabilities available in these countries.

Is presence in India an automatic advantage to companies expanding globally, with India as a base, or do these companies have other considerations in terms of location?

3.6.10 Effective global strategy

An effective global strategy would be created keeping the global potential and core competencies of the organisation in mind. However, for this to sustain, it will require constant review of the strategies and outcomes and modification as required by the changing market dynamics. Most importantly, it is necessary that the company clearly define why it is choosing to go global, the extent to which it has to globalise, what it will achieve in the process, and why it is strategically important to have global presence. An example is the case of Genzyme [25]. The case of Marks and Spencer also has shown how internationalization in that company failed. [83] One of the key reasons was the lack of clear understanding of why M&S was undertaking to globalise its business, which kept the company from taking up the right kind of alliance strategies that would help it realize its vision, and defining the right elements of its long-term strategy.

What does an "effective global strategy" mean, for an Indian company?

Also, the very mindset of the global company is such that the entire organisation thinks globally: in terms of serving multi-country markets and their specific needs, in terms of global outlook, as well as in terms of being able to anticipate both domestic and international requirements of customer segments and markets. [77] Another gap in literature is whether global Indian companies actually have a global mindset and how they go about creating such a mindset.

Ericcson had a relatively small and limited market in Sweden. It realised that in order for it to grow and leverage its capabilities, it had to expand its market, considerably. The company then chose globalisation as its mechanism to achieve this expanded market. [24] Small companies seem to internationalise through a suitable combination of advanced technologies and deep niche strategies to overcome the costs of doing business abroad.[67]

What kind of internationalisation strategies do the small Indian companies follow?

3.6.11 Build strategic alliances

Entry into a new market is not often easy, esp when it happens to be in a different country. Alliances may be used to gain entry to the market, gain access to a strong existing distribution network, local agencies, research and development, manufacturing, packaging, etc. When 7- Eleven decided to enhance its global presence, it decided to continue with its approach in the US, of using franchisees extensively. Ito-Yokado Company in Japan became the franchisee for its Japanese venture. Although the 7-Eleven practices were brought into the Japanese stores, the formula for success lay in the existing core competence of Ito-Yokado in running very successful retail operations in Japan. The judicious blend of the global with the local was critical in this success. [84] in fact, when Southland Corporation, the company that owned 7-Eleven, was on the brink of bankruptcy, it was Ito-Yokado that was able to infuse fresh capital and revive the stores chain once more. After this, Japanese practices were introduced in all stores, which resulted in improvement in profitability and overall business performance.

Some other examples are those of Genzyme and Amgen, biotechnology companies that used distributorship and joint venture models for product distribution and marketing. [25] Strong partnering can also work as an effective barrier to competition. For example, Caterpillar was able to block Komatsu in Japan by strategic partnering with Mitsubishi. [24]

What specific approaches do Indian companies take to building and operating alliances? What causes differences in the strategies adopted?

In this section, we looked at key strategies followed by companies from developed economies and identified gaps in literature, relevant to the subject of this thesis. In the next section, we will discuss the strategies followed by companies from emerging economies. Apart from the gaps highlighted in each sub-section above, overall, a few gaps in literature that the above discussion threw up, are : how do Indian companies approach each of these aspects of global strategy? Are they the same or different from companies from the West? In what way do they think of global strategy?

3.7 Globalisation Strategies for the Emerging Markets

3.7.1 Competition in emerging markets

Hoskinsson et al [85] state that there is a need to examine the barriers to the emergence of market-based strategies in the developing economies. The success might be impaired due to poor implementation or lack of experience and therefore lack of capabilities required on the part of managers to implement these market-based strategies. While there is a need to strengthen the institutional infrastructure, economic environment, etc, there is also a need to strengthen the management capability and experience of these organisations.
Indian companies are generally used to working in the local economy, which does not boast of a strong institutional infrastructure. Does this give them an edge as they go into other countries, where institutional infrastructure is either stronger or weaker?

While these are broad indicators for companies to address as they formulate their strategies in the emerging markets, it is highly unlikely that there would be a single approach for all or even a majority of them. It is expected that there would be a learning curve that is adopted in different ways by different organisations and each would find its own way of cycling such learning into its strategies. A gap in literature is a description of the kind of learning curve that Indian companies go through as they operate in the global market.

As organisations learn to compete with local innovations, several new paradigms and business models are built. As a result, innovations from these markets become the base for building new offerings that can then be modified for use in other markets.

Some examples are

- The “dabba wallas” of Mumbai, which is now quoted as one of the most efficient and effective supply chains in the world.
- Narayana Hrudayalaya undertakes telecardiology, providing web-based support to primary health centers in remote areas. This very innovative use of an existing technology solution, taken with the support services that have been defined, enables doctors in remote villages to save many a life.
- Arvind Eye Hospital and Shankara Netralaya are two further examples of building scale, efficiency and effectiveness, all at a fraction of the cost of operations experienced anywhere in the world.
- Taj Hotel’s IndiOne chain of hotels has been put in place to redefine the way the industry and competition work. [4] This model again, is scalable and can soon become the model followed by hotels worldwide.
- Companies such as TCS and NIIT have made computer education extremely affordable to the vast lower income population of India. The insights gained from this experience can be applied not just in learning computers, but all kinds of learning as well. Such understanding would help in any learning situation and could be applied to make training more effective.

The examples cited above have been repeatedly highlighted as shining examples of innovation. However, there is hardly description of whether such innovative capability helps in global business, or indeed, whether it matters at all. This question adds to that raised in Section 3.6.8.

3.7.2 Imperatives

Many organisations now understand the important distinction between international, multi-local and global corporations. While they now understand that global leadership is not just about winning in a set of local markets, many are still unable to frame a suitable global strategy, with the result that they are also unable to achieve the leadership position that they aspire to. [52] In literature, it is recommended that Western multinationals will need to chart new strategies if they are to win a significant share of the growth in the Asian markets. They will have to adopt innovative strategies that allow them to more accurately pinpoint and then fully exploit their own unique strengths. [22]

Strategy is about searching for new sources of advantage [14]. As an industry matures or grows, as it attracts more competitors, who are able to copy any of the advantages that the firm might have started off with. Therefore a constant renewal of the basis of advantage is required for an organisation to compete effectively. While defining strategy, the firm has to define the manner in which it will create wealth and define what is unique about it. It is also about being able to identify the risks involved in business and the manner in which they can be mitigated. And finally, strategy is about inventing new rules and changing the way in which firms compete.

In their paper, Khanna and Palepu [27] have identified that there are four tiers of customers in most markets.

- Global customer segment – such customers want the same quality and features the world over, as they do in the developed countries.
- Glocal customer segment – these customers would like to have global quality, but are willing to sacrifice features for lower cost
- Local customer segment – these customers prefer local products with local features, but at local prices.
- Bottom-of-the pyramid segment – the customers in this segment are able to afford only inexpensive products.

Traditional multinationals are able to serve typically, only the first segment, ie, the global customer. In order to address each of these different segments, companies need to invest heavily in the research that will enable them to understand each of the groups and their special needs, tailor products and services that will meet their criteria, and finally, design policies that will help them sustain their position in all these market segments.

How do Indian companies think of their customers across the globe - do they think the same way as traditional multinationals or do they think differently?

3.8 Strategies used by emerging economy companies

3.8.1 Some Experiences

Businesses that are built around supply of raw material are usually global in nature from the very beginning. The raw material is supplied to the customer base, which might be part of a global supply chain, or customers that are spread across different parts of the globe. Over the last five years or so, several born-global companies have emerged, which by their very nature have been constituted to think globally.

Until relatively recently, companies did not pursue scale as an important factor in their success. Once scale became the dominant driver, it also led to these companies concluding that the best way to grow was by replicating a successful business model from the home location to the other locations where it operated. This seems to have become the dominant growth strategy in the current context. The authors say that although soon after the Cold War, it was possible for mid-sized firms to create a niche for themselves; in the current situation, it would seem that size is important. [17] In the case of a consumer product, jewelry, the author describes the importance of market positioning, co-branding and the entrepreneurial will for success, especially in the developed markets. The company, Azza Fahmy Jewelry from Egypt, first built sufficient scale within the region before entering the European market. [86]

While there are such occasional examples of companies from emerging economies, there does not seem to be any cross industry study, especially of Indian companies.

From OECD data, the author showed that the operating margin of foreign operations have been consistently lower than for their domestic operations over a 10 year period, for 147 companies in the Fortune Global 500. [52] This points to the inability of the MNCs to leverage their foreign operations as fully as they are able to do in their domestic operations. Further, it would also imply that they are unable to see the differences between the various markets that they serve and are therefore not as profitable as they might be.

In the past, cost arbitrage was used extensively as a lever for competitive advantage. In addition, many researchers and practitioners have spoken of how to adapt an existing successful model to the new markets, but there, Ghemawat [52] points out that arbitrage based on distance can also be considered as a very strong source of competitive advantage. He goes on to say that there are four other types of arbitrage that can be used - cultural arbitrage, administrative arbitrage, geographic arbitrage, and economic arbitrage. In the long run, companies would have to weave in both the adaptation of a common template as well as the arbitrage of differences into their strategy in order to sustain their presence in the global market. It is not necessary that an organisation adopt only one strategy – that of similarity or that of difference. It can reconcile the two and apply both types of strategy. Different strategies might be applied to different elements of a business. For example, Cemex of Mexico followed a cost arbitrage strategy, but at the same time, implemented a standard operational strategy. Similarly, it was able to choose how to raise capital independently from the way it chose to do business in different product markets.

Several new giant companies are now seen in the emerging markets as well as in developed markets. There are three ways in which the emerging giants are able to grow [27]

- find customers in advanced markets who can be serviced from their own home bases
- as the factor markets in their home base becomes more expensive, they seek to find other developing economies from where they can source similar resources
- in the final step, they move up the value chain, selling value added products and services, many a time under their own brands.

Sakakibara and Porter [60] state that competitiveness in the home market is very important for building capability for the global markets. Domestic rivalry forces companies to innovate and upgrade, even as they deal with the externalities of their business. In their paper, they found that strong rivalry in the domestic market has a positive and significant relationship with export share. In the course of their research, they found that if there is a strong rivalry amongst domestic firms, they would be forced to innovate more as well as evolve processes and strategies that would enable them to learn better and build up defences and strategies that will help them compete effectively in foreign markets.

Concluding their paper, Khanna and Palepu [27] state that it is not at all mandatory for giants to necessarily span a global footprint. They could well be limited to their own market and still do extremely well. However the critical factor that determines the growth and geographic strategy adopted by an emerging giant is determined by the competitive advantage that it is likely to gain by adopting a global rather than local scope.

What do Indian CEOs believe? How important do they consider international competitiveness?

The manner in which developing countries are able to gain substantial share of the global market is demonstrated by countries such as Taiwan and Korea. In these countries, it is not so much through the presence of MNCs, but rather, by non-equity arrangements such as OEM, subcontracting, and direct exports, that they have been able to gain a global footprint. [32] The local firms have in the process, gained a lot of capability in technology and other areas. Typically, this is sustained by government intervention in all markets. There has been a deliberate attempt to deepen skills by non-reliance on external sources. Similarly, Japan has relied on building its own capabilities rather than on FDI. Singapore has followed a different strategy, using FDI extensively. They have relied on bringing in MNCs by making industrial policy attractive for them. They are now seeking to attract R&D and other high-value services. Malaysia, Thailand, Philippines and Indonesia have used other strategies and have not proactively invested in building capabilities. China has followed a mix of strategies. Even though its base of skills and technological effort is low by international standards, there is enough activity to make a large impact across the entire spectrum of activities. Lall [32] concludes that the various strategies followed by these developing countries provide a base that can be used by any other emerging country that wants to participate in the global economy.

While these studies describe the generic strategies, followed by various developing countries, for India, is there any commonality between the approaches of companies or are they vastly different? This matter is not addressed in existing literature.

As the role of international production is growing in the world economy, technology transfer within the TNCs is growing in importance. Infrastructure remains of paramount importance. Strategies are converging partly as the rules of the game are being changed. Countries that were relying on FDI are now developing their own skills and capabilities, whereas countries that were relatively autonomous are also tapping into FDI to help enhance their capabilities. Industrial latecomers might find it difficult to sustain growth as they plug into the manufacturing base of transnational corporations. There continue to be strong advantages to being first mover in this new wave of globalisation.

Using strong skills in linking in with the global corporations and leveraging to the extent possible would help emerging economies to participate and take strong positions in the world order. There is a strong need for R&D and technology effort even at low levels of industrial development. Companies from emerging markets are still learning to find their place and establish their leadership in global markets. Typically, they are beset with certain common issues as mentioned in Section 3.4.1.1: liability of origin, finding the right solution for success and competing with large established MNCs

Finally, literature shows that while multinational companies can innovate better, Indian MNCs in India are able to achieve better productivity as against foreign MNCs. [87] It is also well known that innovation by Indian IT enabled services (ITES) companies has helped improve the productivity of their multinational clients.

3.8.2 Liability of Origin

Indian companies and companies from other emerging economies have long been battling the issue of perceived identity and are working to establish strong identities, more in line with the value that they deliver and would like to be seen to deliver. Sumantra Ghoshal and Bartlett in their paper [88] talk of how the "liability of origin" issues keep companies from being successful in the global scenario. They mention three traps that keep the mindset restrictive for these companies. Of these, the first is the difference in standards between the home market requirements and those of the global markets. This is especially true for companies from the emerging markets. Since very often the higher global standards mean that the company has to make investments to match the requirements of the international market; but success in the local market keeps the company complacent and enables it to postpone the additional investment. The second trap is that the company is unaware of the potential if the market is outside the known territory. Sometimes, management might be too caught up in self-doubt to be able to think of getting the company to go beyond its current boundaries. The last trap is that of liability of origin and both the company and the customers are potential causes of enhancing this trap. However, many organisations are consciously coming out of these traps and getting well beyond them to their rightful position in the global markets.

In order to make this happen, most companies have to create a push from the home market and a pull from the global markets they would like to serve. Samsung and Thermax are two cases in which the CEO helped create this push towards moving out of the known home market. In the case of Natura of Brazil and Ranbaxy of India, there was a pull that came from the foreign markets and these companies were quick to seize the opportunity that presented itself. Further, it might be expected that the higher education level of high-technology entrepreneurs would provide a certain level of confidence to compete globally. [55]

There is a gap in literature, as the question of whether confidence of smaller Indian multinationals has grown and in what way, is not addressed. How has this confidence helped Indian companies to become global? And how do these companies address the issue of liability of origin?

3.8.3 Building on strengths

In an interesting civic-action research study carried out by Rosabeth Moss Kanter in five regions of the US [59], she found some criteria that helped the communities succeed in the globalising world. She concluded that the power in the global economy comes not from location, but from the ability to command one of three intangible assets that make customers loyal to the organisation. They are concepts or leading edge ideas, competence or the ability to translate ideas into applications for customers, and connections or the ability to network as required. Using these ideas, Kanter was able to recognise three ways in which they were able to connect with the external world. She called them “thinkers”, “makers” and “traders”. As can easily be recognised, each of these roles has a different set of strengths. The ability of an organisation to recognise its own strengths and carve out a suitable role for itself defines how well it can do in the global marketplace. However, these roles are only starting points. Of course, these resources must be kept up-to-date at all times; else, they reduce in value rapidly. For long-term sustainability, the organisation has to build capabilities that extend beyond these initial roles. How do Indian companies identify their strengths and how do they shape their global strategy around them? None of the existing literature addresses this question.

3.8.4 Writing new rules

For strategy formulation, it is important to assess the strengths of the organisation and discover those which it can use in various global markets that it sees in its roadmap. The traditional view of implementation of strategy is not applicable in the current context of the globalising world. In this context it is important that the organisation begin with a view of the future and fold the future in ie, develop a migration plan that will take the organisation to the desired future. As small firms go global, or are born global, they do not have the scale and size of the traditional MNCs. Yet, their international market size is perhaps far larger than their domestic market. These micro multinationals bring new rules and definitions into the market. In such a scenario, Prahalad [14] opines that not only have old rules to be rewritten, but new games with new rules have to be invented as well. Further, Prahalad feels that organisations from countries such as India need to gain confidence in being able to compete effectively in the global market. They should be able to innovate suitably to allow them to create new models that can challenge the existing rules of business. As against the past practice, where companies sought out best practices and followed them, the need now is to create the “next” practices, which are the business practices required for the new competitive scenario. There are three forces driving these next practices. The nature of the relationship between the customer and the firm is undergoing change with the balance of power moving towards the customer. Solutions that address the global poor generate innovations and they drive the manner in which products and services are created. The last of the forces is the restructuring of businesses on a global scale. With this restructuring, size might no longer remain a main source of competitive advantage as has been the case in the past.

When companies in the emerging markets venture out into other countries, they too would need to invest in understanding and addressing the specific needs of the relevant categories of customers in those markets. Interestingly**,** it seems that emerging market, multinational enterprises internationalise earlier than firms from the developed economies. [45] This is already a major disruption in international business.

Apart from the large business groups like Tata, Reliance or Bharti, and the large technology players, are there examples of Indian companies disrupting international markets? Are smaller Indian companies "writing new rules" or are they merely finding a good spot in the global market? There is hardly any existing literature.

No discussion of emerging markets can avoid a comparison of India and China . Chinese companies have grown very large and boast of 37 companies in the global Fortune 500 list, as against India's 7.[2] Given the aggressive global growth of Chinese companies, it is relevant to understand their growth path as we study Indian multinationals. Therefore, in the following section, we explore the strategies of Chinese companies.

[2] as per 2009 rankings. The 2011 rankings show 61 Chinese companies and 8 Indian companies

3.9 Strategies adopted by Chinese companies

3.9.1 Some typical strategies

China has emerged as a major leader in the area of manufacturing of several different groups of products. The strategies adopted by the Chinese government, together with industry are described below, using the example of Haier to highlight the way in which the strategies are applied.

Haier grew by acquisition of several state owned unprofitable enterprises in the early years of its formation in the early 1990s. The mixed ownership pattern of a large number of Chinese companies – both private and govt ownership - allows many of the Chinese companies to overcome some of the inefficiencies created by purely private ownership in a country such as China. It began as a sub-contract manufacturer, supplying manufactured products to well-known brands. However, it is now establishing itself as a global player in the white goods space. It is becoming a well-known brand even in India.

Chinese companies today are formidable competitors. Even in 2003, when Zeng and Williamson wrote their paper [18], there were clear indications of the fact that Chinese companies would take a lead in several global markets. The multi-pronged approach taken, as enumerated are:

1. national leaders are using their advantages as national leaders to create global brands
2. dedicated exporters are using their economies of scale to enter newer markets overseas
3. competitive networks of small firms collaborate heavily to create new products that can be sold competitively throughout the world
4. technology upstarts use innovations developed by the government to enter new sectors

National champions

They find segments that are not addressed by the established multinational players. As an example, Haier did not fight its established rivals head-on. Instead it addressed the needs of a particular set of segments. Such customers were not looking for breakthrough technology or products. They wanted relatively cheap, reliable and designed to meet the basic needs and expectations of the products.

However, despite the advantages, the Chinese companies often find it hard to compete in many global markets. One of the reasons for this is inability to understand other markets and their customer needs well enough. In order to ensure they are competing effectively these companies have increasingly begun to invest in R&D and marketing campaigns.

Dedicated exporters

In some businesses, the competition is inherently global. In such industries, it is necessary that the company also takes a more global view of itself and its markets. Companies that were set up as dedicated export houses, had taken a view that they would need to keep in mind a global market from the beginning rather than address the local market. Some of these companies exported directly to the global markets from the beginning, but several started as contract manufacturers to known and established brands and then subsequently, many were able to compete under their own brands directly.

Chinese companies have done well where manufacturing excellence, low costs and high economies of scale matter. But they do not do so well where product choice or service is an important factor. Especially in such markets, these companies are building strong alliances.

More recently though, the Chinese companies are investing more in the acquisition of expertise, brands and the right partnerships to enable them to move up the value chain. They have invested in building capability for design and development. They have also built several alliances in the global markets with partners who could represent them in those markets. Haier entered the Indian market by building suitable alliances with white goods retailers.

NETWORKS OR CLUSTERS

Another prominent feature of Chinese companies has been the formation of competitive networks. In these networks, groups of small companies in a region (typically) produce goods of a particular kind. These clusters of companies operate as a single entity. Such clusters are very flexible, and are low cost producers. They tend to be very responsive to the changing needs of their markets. Several of these networks are now creating alliances with the best in the world, to enable them to fill gaps in the level of knowledge or expertise. Local governments also play a crucial role in the success of the clusters, as they offer incentives and approvals in a manner in which internal rivalry is not encouraged but specialisation is.

HIGH- TECH STARTUPS

The research institutes in China were centrally coordinated and suitable investments have been made in those areas considered strategic to the country. Over time, the government has encouraged these institutes to look for commercial applications of the work they do. The Diaspora Chinese who are now in positions of influence across the world are also assisting these institutes to set up and invest in the right kinds of new areas and innovations.

3.9.2 Governmental support and Environmental factors

Finally, the role of government has been and is very critical to the manner in which Chinese companies are competing and thriving globally. The government encourages competitiveness in several ways and pushes companies to create corporations that are capable of competing globally. It supports selected companies that it believes have the potential to become strong global players in selected industries.

Chinese companies focused and were more successful in manufacturing. Indian companies on the other hand, led the way with IT and ITES offerings. Sun, et al in their recent study of cross-border M&As by Chinese and Indian companies [89] found that Indian and Chinese cross-border acquisitions tend to be non-hostile and that they all require learning for successful integration. Several similarities are to be found in the approach of globalising Indian companies, as Fortainier and Tulder too found [90]. As they say, “an in-depth understanding of internationalisation trajectories … could help predict the direction of future internationalisation”. We also know the active role played by the Chinese government in globalising enterprises. As Sun, et al [89] say, Chinese government policies support global expansion of firms, further enabled by financial assistance from the government. The context for Indian companies is, however, quite different and is largely led by the private sector. Therefore it is likely that there would be differences between the way Chinese and Indian companies globalise. The approach followed by globalising Indian companies has not been talked about much in literature and is the subject matter of this research.

In the next section, we study an Asian multinational corporation, as an illustration of a company that started as a manufacturer of computers, supplying to major brands, and then became a global brand in its own right.

3.10 Asian companies in the global market

Increasingly, we have been seeing a number of Asian companies gaining global presence. In order to explore the typical strategies of other Asian companies, in the following section, one such company that has become a successful global brand has been explored in more detail. This company is Acer Corporation.

3.10.1 Acer Corporation: An Asian Multinational: A Case Study

Acer started as an OEM supplier of desktop computers in Taiwan. Taking advantage of the globalisation of the computer market, it then grew into one of the largest and most competitive manufacturers of computers. Today, it is a strong multinational brand with presence in over 100 countries and with leadership in services and software as well. Today, Acer boasts of being the third largest global PC company and the second-largest global notebook company. This section describes the story behind this successful Asian company that has grown into a multinational. Many are the theories behind the strategies followed by global corporations. Here, the strategies that Acer chose to adopt are explored.

3.10.1.1 Background

The Acer Corporation was founded to manufacture PCs for the Taiwanese and Asian markets. Started with an initial investment of USD 25000, the company in 2000 reported revenue of USD 9.4 bn. In 2008, the company had revenue of USD 19 bn and a market cap of USD 149 bn. Acer is now recognized as one of the top ten PC companies in the world. This phenomenal growth has taken place in a short span of 32 years.

The principles on which Stan Shih and his colleagues established and built the company, with a view to overcoming these challenges and establishing a clear leadership position are:

- Partnering with strong global channel partners to establish a credible global brand with a “local touch”
- Winning in the secondary markets to generate the ability to compete globally
- Development of innovative products as well as new management practices that changed the rules of the game and helped differentiate Acer from the other players in the market

Acer also clearly understood from the start that they could not win by following the same strategies as US or Europe based organizations and fashioned their growth in a manner that was appropriate for them. The strengths that they therefore built upon, which enabled them to compete effectively, were speed, agility, flexibility and low cost brainpower. [58]

3.10.1.2 The strategies adopted by Acer

Broadly, the main strategies followed by Acer are:

Cooperation: Acer understood that in the global market, there are no permanent competitors in all markets where an organisation operates. They were therefore open to working hand in hand with organizations that may be competitors as well. The company strove to build flexibility and openness and play various roles as needed.

Structure: The organisation structure is what Acer called the “Internet organisation”: a network rather than a steep hierarchy.

Focus: As the practice of outsourcing grew in the global computer market, companies such as Acer manufactured PCs for the global majors such as IBM. They continued to focus on a niche area of competence rather than try to compete in every market and product space.

Brand: Acer moved from being an OEM supplier to an ODM (original design and manufacture) to OBM (own brand manufacture). This progression was consciously carried out as opportunities were created for the company to grow in a profitable and sustainable manner.

We saw in the above that three elements - value-creation, organizing principles and people processes - were all areas of focus for Acer. We saw how Acer was able to bring its various policies, processes and people together around these three elements. More details about this case can be found in Annexure B - Acer Corporation.

In the remaining part of this chapter, we will study literature presented in terms of the framework evolved.

3.11 A Framework for Global Strategy for Companies from Emerging Economies

From the foregoing discussion, we could identify a set of parameters that would influence the choice of strategy for effective participation in global markets. This framework has been proposed by the researcher in order to structure further exploration and discussion.

The companies from the emerging economies are increasingly feeling the need to compete effectively with global companies. The emerging markets are being seen as the growth engines for most organisations that have been operating in various markets around the world, esp the more mature markets. As they turn their attention to these emerging markets, the local companies are finding that they have to learn new skills and craft new strategies that will help them stay competitive in the new scenario even in their home markets. At the same time, many of these companies are looking at global operations as a critical part of their own strategy. This section identifies the critical success factors for such success, in the increasingly global marketplace. This discussion uses existing literature to describe each element of the framework and what it means for the company as it goes global. However, most of the literature referred to pertains to companies from the West or developed economies. This research study seeks to make good some of this large gap in existing literature on emerging market multinationals, even as they become increasingly present in global business and are being recognised as a force to contend with.

3.11.1 Priorities for effective participation in global markets

In Section 3.4 on Success in Global Markets, we identified the measures of success for a global company. In the previous discussion, we saw the various issues that the emerging market organisations need to deal with in their global foray and identified the priorities that these companies must address, in order to achieve success in the global market.

In this section, the researcher explores the various issues that the organisations need to deal with and identifies the priorities that these companies must address, in order to gain success in the global market. The major critical success factors for global leadership that have been discussed so far are: focus, early entry, risk taking, culture, innovation and innovativeness, investments, agility in decision making, trust, governance, managing alliances, confidence, global mindset, right talent, investment and brand.

While all these factors are important, it is necessary to recognize that not every organisation can focus on all of them. Thus, differences in markets require that organisations adopt different approaches to the way they compete in these various markets. At the same time, with increasing globalization, the large established multinational players are increasing their global footprint in the emerging markets as well, for global dominance. This implies that the emerging multinationals are also faced with the urgent need to respond to the stance taken by these large multinational corporations. It must also be remembered that companies that expand into the global market from the emerging markets would also have to contend with different organisational and institutional forms, as they continue their global growth.

It is with this background that the discussion of the strategy framework is undertaken below.

Energy

Strategy element	Section
Vision	**3.11.2.1**
Focus	**3.11.2.2**
Leadership	**3.11.2.3**
Culture	**3.11.2.4**
Innovation	**3.11.2.5**
Investment	**3.11.2.6**

Integration

Strategy element	Section
Sustainable business	**3.11.5.1**
Sustainable development	**3.11.5.2**
Market specific strategies	**3.11.5.3**
Local sensitivities	**3.11.5.4**
Local society	**3.11.5.5**

Capability

Strategy element	Section
Brand	**3.11.3.1**
Global mindset	**3.11.3.2**
Right talent	**3.11.3.3**
Prepare for global expansion	**3.11.3.4**
Trust	**3.11.3.5**
Ability to deliver	
Collaboration	**3.11.3.6**

Resilience

Strategy element	Section
Risk taking	**3.11.4.1**
Agility in decisions	**3.11.4.2**
Organisation	**3.11.4.3**
Governance	**3.11.4.4**
Renewal	**3.11.4.5**

Figure 3: Strategy Framework for Globalisation

3.11.2 ENERGY

3.11.2.1 Vision

For any organisation, the long-term vision provides direction to the efforts undertaken by it. Consistent strategies that move the organisation towards its vision enable these dreams to become reality. Realisation of the vision however, is guided by the value system of the organisation. Usually, a core group tends to define the vision and the value system, and the organisation culture builds around them. It would make sense to consider global operation, provided that it leads the organisation towards its vision. In like manner, the vision helps focus the global direction of the organisation.

In their paper, Ramachandran, et al recommend that a strong vision and 'novelty in execution' are the two most important factors that an Indian organisation needs to address when it enters global markets. [1] Ranbaxy, in 1993, articulated its vision of becoming "a research based international pharmaceutical company". This has remained the consistent and abiding desire in the years since. With all its key stakeholders firmly aligned to this vision, it became possible for the company to take the steps required to achieve this dream. Lastly, the difference between building an incremental global presence, and taking a global perspective early on, is significant and drives many of the actions that the organisation takes such as branding, organisational and strategic innovation, all of which require a change in the way the organisation thinks. [45]

3.11.2.2 Focus

In a paper on the prospects of emerging economy multinationals, the author says that very few EMNCs find a dominant position in the global rankings. One of the critical elements of their success is the role that the home government plays, as well as strict governance. In the author's opinion, it is highly unlikely that any EMNC can gain a monopolistic position in the global market, and therefore recommends that emerging multinationals would need to offer differentiated products and services. [91]

There was a time when local presence in every market was considered essential for becoming a "global" company. That is no longer the case, as even with no physical presence, it is perfectly possible for organisations to compete successfully and profitably. In the current context, "right shoring" is much more relevant – with the result that the value of the company can be spread across several locations, some with manufacturing, some with sourcing, some with back-end support and so on. The markets might be in some or all of these locations, or be completely different as well.

As the cost and scale of competition has increased considerably in the global context, several large companies are now trying to do fewer things, but much better than in the past [50]. This implies the need to focus on those areas that the company considers to be at the heart of its core competence [92]. Hamel and Prahalad define core competencies as the collective learning in the organisation about how to integrate its various streams of technology and work as well as about delivery of value to its customers. They are the basis on which the employees and associates can build and share capabilities that would enable the company to foresee the future and equip itself for leading in that future.

3.11.2.3 Leadership

Leaders of successful global companies are mindful of the fact that their success lies in building organisations that are able to change, innovate, and are diverse in their thinking. There is also a realization that the soul of the organisation is as important as strategies and resources. It must also be remembered that the leaders at the top of the organisation define the nature and extent of risks taken. [1] the right leadership has been identified as being key to global success. The company could evolve a balanced scorecard, in order to measure and communicate better, its own parameters for success. Further, it needs to develop dynamic capabilities for sustained global competitiveness, and seek new sources of value creation from intangible assets and resources. [11]

3.11.2.4 Culture

Ohmae [93] points out in his paper that the failure of globalisation efforts in many cases might be attributed to not having a proper global vision as well as the required values. In order to relate to the customers, employees and business partners, local sensitivities must be understood. This can seldom be completely accomplished by people who come from a different cultural or economic context. That is why it is important that local expertise is hired and integrated into the organisation. True globalisation requires that the experiences and capabilities of the local staff are respected. Other parts of the team and organisation should learn from, and adopt the practices of, these local employees from different parts of the globe. Unless the integration process is a two-way process, the company would end up merely doing what has been done in the home market or in a specific market, in the same way that it has been done. This would not promote innovation in any way.

3.11.2.5 Innovation and innovativeness

We are aware that all competitive advantage fades over a period of time [50]. Therefore, say Barkema et al, what is important is the pace of its learning and innovation in comparison to the firm's rivals. There are basically two areas ways in which the firm can develop sustainable competitive advantage – by creating a defensible long-term position in the product market or by control or possession of valuable, rare or non-substitutable resources. In order to do this, entrepreneurial orientation and innovation are critical success factors. [1]

Vernon Ellis suggests that the result of global standardization will be “leveling up” as good practices diffuse to other parts of the world with the integration of supply chains. Corporate activities will face greater scrutiny across the world as communication becomes faster and instantaneous. [13] Therefore, there is a strong need to keep up-to-date and invest in innovation, as well as to ensure that the right information is given at the right time to all stakeholders.

Openness and readiness to learn from all parts of the organisation are important in an innovating organisation. For this, it is critical that knowledge be shared openly and in a speedy fashion. In an organisation that is spread across several locations and indeed, spread across the extended organisation which includes the supplier and customer network as well, distributed innovation is being increasingly seen as an important means to uncover new insights and generate innovative ideas. For this, a strong knowledge management system is essential, which allows transfer of knowledge and sharing of experience across the various parts of the organisation in a seamless manner.

It is recognised that each company would have to gain local capability and knowledge in each country of operation, in order to serve its customers in the best possible way and attain a leadership position. This means the creation of local knowledge in each location. While some of this knowledge can be transferred to other locations, some of it might simply have to be disregarded as it is not relevant. The advantage of being able to share knowledge across locations is that it would enable the company to innovate better and faster, and also reduce the risk that competition might pre-empt a position in the market. Apart from the mindset issue of employees not wanting to provide inputs to others and of not wanting to accept insight from others, the other big challenge in sharing knowledge lies in the fact that most of the knowledge that exists in the organisation is tacit and is not codified. In this situation, the organisation finds it extremely hard to recognise even the existence of such pieces of knowledge.

Aspects of innovation should be based on the core competencies of the organisation, as by definition they are difficult to imitate [92]. One company studied by the author was where the company defined its core competencies as manufacturing and marketing. Its strategies are built around this definition, and it is on these dimensions that most of the innovation effort is directed. There is a need for patience and core competencies take 10 years or more to build. Companies that operate in the emerging markets must pay sufficient attention to ensuring that there is continuous improvement and innovation around these chosen areas.

Increasingly, innovation is seen, not just as a capability that is important for the future of the organisation, but more importantly, it is recommended that innovation be institutionalised and even become the core strategy of the organisation. The organisation should create an innovation dashboard for itself, which gives visibility to its senior management about the innovation efforts being undertaken by it. The innovation portfolio and the overall value of the successes are much more important than the number of failures that might show up on such a dashboard. [72]

Innovation is not just important to ensure market relevance, but also is very relevant in building organisational resilience. In fact, resilience calls for innovation to be a critical part of the organisation’s culture and philosophy. As Pillania says of Essel Propack : “EPL has invested heavily in new product development. They succeeded in migrating tubes from a low-technology perception to continuously innovated branding vehicle." [94] This constant innovation is one key factor in making the company the largest in its industry in the world.

3.11.2.5.1 Limits to innovation

It is clear that innovation in product and service offerings as well as the manner in which the organisation operates, is an extremely critical component of business strategy. In today's environment, characterised by saturated markets, overlapping industries, overlapping customer channels, preponderance of information technology and very low margins, without innovation, it would seem that no organisation can succeed. However, the markets and the investors want a much higher return on their investment, and at much higher speeds than ever in the past. This reduces the amount of freedom available to a company to innovate and carry on its planned actions. It would almost seem that in order to meet the contrary requirements of meeting and creating markets, and higher shareholder return, the company is often forced to make trade-offs. [63] One of the most important factors in keeping this required freedom to act, according to Gupta, is earning stakeholders' trust that the company will be able to sustain the business it has embarked upon. For this it is important to focus on competence, motives and reliability as the three factors that determine the level of trust. [63]

3.11.2.6 Investment

Corporations must make long term investments in order to compete effectively. With a global proposition, the challenge is multifold, as the demands of each of the markets can vary widely. In such situations, it is best that it stays focused on and invests its efforts and money in those areas that it sees as being at its core – the core competencies. With far-flung or disparate the business units and operations, the company needs to make extra efforts to bind all the people together on the basis of its values and get them to work on developing its core competencies.

Hamel and Prahalad emphasise that organisation structures must support such investments. In their paper [92], they present the case of Vickers which took a long term view (10 – 15 years) and drew up a map of emerging customer needs, emerging technologies and the core competencies required to meet those needs. Clearly, without long term commitment and investments, the company could never have created the level of focus and energy required to foresee the future course of action. Three emerging multinationals from Mexico, Turkey and China have been studied. [45] A key element of all of these successful emerging country multinationals is their linkage with an existing multinational or government. Investment in technology and building expertise were seen as very critical to the manner in which the company built its base. The owner, Azza Fahmy, described the importance of an emotional connect between the product and the customer, and perhaps this idea is at the root of her strategy. The challenge they faced was making this connect with customers in different parts of the world. [86] A similar concept is described by Raghavan who emphasises the shift in power, towards the customer, right across the globe as the media play a large role in increasing the amount of information available to them. [95]

In the foregoing, we saw 6 elements of strategy that result in the energy required for an organisation to compete successfully across the globe. As we could see, there are very few live examples of emerging Indian multinationals. This research study attempts to address this gap, by looking at three such companies.

3.11.3 CAPABILITY

3.11.3.1 Brand

In the global market, it is important for companies to create their own identities. The route taken to go global seems to vary with different companies as seen from the available literature and knowledge of the market. Some emerging market companies expand their global operations in two stages – be an OEM supplier to a larger or better known brand or company, followed by the second stage, when the company sells directly to its customers, based on its core competencies and strengths. Other companies, especially born -global companies however, offer services under their own brands. In either case, once the company establishes its intent to compete directly, it would need a strong identity for itself.

Bouchikhi and Kimberly [71] in their paper talk of the fact that any action that an organisation takes, which is not in sync with its identity, is a likely cause for failure. They say that the fundamental identity could pose a constraint on the organisation's ability to adapt to changes. In articulating the identity of the organisation, the question to be asked is what the stakeholders, both external and internal, believe to be the essence of the organisation. It is anchored in a set of factors such as geographical location, strategy, technology, philosophy, etc.

Given that the norms of competition have undergone a sea change, with the global marketplace re-writing most of the rules and with a wide range of competitors posing newer challenges every day, it is important to recognise that the identity must also undergo a change to keep pace with these environmental changes. For example, the "made in India" tag has long been associated with low cost and low quality. Therefore, an Indian company professing to make high quality, or high technology products for an international audience, would find non-acceptance of its products or services in the international market as that is not perceived to be its strength. In describing marketing performance, the author cites the ability to generate new ideas and the extent and rapidity of the recovery of product development expense as two key metrics. [96]

Ying Fan describes the problems faced by emerging market multinationals and says that the biggest problem is that these companies are stuck with a perception of “ low value”, since many started as OEM suppliers. [97] He suggests that success for emerging market multinationals is based on their ability to move into profitable segments and use the advantage of being a late mover. Ghoshal also suggests that late movers could have an advantage, as we saw earlier.

3.11.3.2 Global Mindset

In order to aspire and think beyond boundaries, organisations must have the confidence that they can compete effectively. One way of finding the platform for competing is to work on the base of the core competence of the organisation. In order to bring the entire organisation to focus on the specific area that would help achieve the much-needed leadership position, a strong strategy needs to be put in place. It is not sufficient that a strategy is defined; it must be shared by the critical people in the organisation in the same manner.

The old paradigms, under which companies operated and drew up their strategies, are no longer relevant. Most organisations are used to thinking in terms of their being centred in a particular location (typically the headquarters) and a “home” market. Other countries or regions are considered to be “foreign” markets to be addressed as an extension of the home market itself. However, in the new world, this mindset would have to change to now include all the areas of operation as integral parts of the organisation. One of the concepts that suggests itself is the extension of “peripheral vision”. This implies the need to recognise the global market as a larger canvas to be addressed by the company – including tracking competitor data, activity and migration across product segments, businesses, countries, value-added offerings, partnerships and distribution channels. Often, gaining a leadership position in the global market requires redefining the industry and market segment boundaries and characteristics. Examples such as Canon in photocopiers and Honda with their engines are often cited as great examples of redefining the rules of competition. [68] . When rules are changed, it becomes hard for the existing competitors to respond to the new reality fast enough. Thus, the company can raise effective barriers to entry.

However, it is easier to talk of the need for the change in mindset as compared to adopting such a mindset. The issues in making such a transformation happen and the manner in which this can be done has been discussed in Annexure C – Making Change Last.

Managerial frames define the boundary of thought in an organisation and consequently the kinds of decisions that it is likely to make. [69] In looking at the global strategy, it is essential that organisations actually shift many of the assumptions from what they are and this will call for shifting the managerial frames, even though these might have resulted in success in the past. In truly global organisations, it is important that there is focus on building adequate diversity within, in order to encourage a global point of view, encompassing and representing as many of the markets and customer segments as possible. At the same time, the varied points of view generate questioning and debate within the organisation. Occasionally though, diversity can have detrimental effects. Barkema, et al differentiate between superficial and deep diversity; in their opinion, the former can be overcome once the team get to know one another and trust is built, and the latter can become more significant as the members of the team begin to understand each other [50].

3.11.3.3 Right talent

Increasingly, there is a realisation that the best of strategies would not be relevant if it were not for the people who are going to help realise that strategy through their actions. Bartlett and Ghoshal recommend that strategy in the new paradigm must be based on a human resource foundation [88]. The importance of having the right set of capabilities in the right places cannot be over-emphasised. In particular, there have to be sufficient skills at the points closest to the customer. In order to understand the requirements of the customers, as well as to ensure the best service to these customers, there is need for local talent. In addition, in the truly global corporation, it is not as if all decisions are to be taken centrally. In fact, when all decisions are taken centrally, it often leads to wrong decisions being taken. The role of the corporate headquarters is changing from that of control to coordination and coaching [98].

In their paper [68], Hamel and Prahalad state that it is important, while defining and reviewing competitive strategy, to find the points of competitive risks and opportunities in each country and address those strongly. It would not be possible to do that if the analysis of such data were done at the corporate headquarters alone. In fact, the company would be hard pressed to find relevant data as many a time, customer insights come out of unexpected data points, rather than out of data reported in the defined formats as these would have been drafted based on a specific set of assumptions. Once the requirements are known, the company then has to find ways of customising its offerings to address those requirements.

The capabilities required to sustain global competitiveness are not constant. Therefore, frequent assessment of the firm's performance and realignment of these capabilities is called for. Dynamic core competencies are unique sets of skills that provide a source of competitive advantage for a firm over its competitors. [68] Such competencies enable the firm to remain flexible and respond quickly to demands from the environment. Alliances are important in this context as they can be used to quickly augment any skill sets the organisation is not able to build on its own.

3.11.3.4 Prepare for global expansion

It is important for the organisation to prepare its people to change in order to participate in global markets. Thus, effort has to be made to orient and help people within the organisation to understand how the global markets work, the needs of customers in markets other than the home market. [1] In fact, increasingly, in today's new organisational context, where alliances are fundamental, the entire network that delivers value around the globalising firm, must also be aligned to these aspirations.

There is considerable literature on the way in which organisations manage the process of change. It has been argued that as change is inevitable, people would simply adapt to meet the challenges posed by the factors that triggered the change. However, there is enough evidence to prove that a managed process makes it far simpler to ensure that the desired outcomes are achieved in a more robust and quicker manner. In global organisations, with employees in different parts of the world, coming from different cultural backgrounds and using different vocabularies, the process of putting together a plan and subsequently executing it can be fairly daunting. Several mechanisms are available and management teams may adapt any of these to fit in with their culture and other imperatives. A more detailed description may be found in Annexure C - Making Change Last.

3.11.3.5 Trust

Both agility and risk taking require at a minimum a very high level of trust within the organisation as well as with its alliance partners. In the global context, this becomes all the more important, with as we saw, the need for decisions to be distributed to various geographical locations and organisational units.

Trust is crucial in the evolving global organisation of today, where virtual teams working across continents and time zones are increasingly becoming common and essential. Trust has been defined in several ways. One definition of trust is that “the members believe in the character, ability, integrity, familiarity and morality of each other.” [99] p 133.

In the distributed organisation, where people are hired in various countries and come from different cultures, one of the most important factors that would hold the organisation together and make it perform is a high level of trust amongst its employees. Trust can be generated within an organisation and between the teams that increasingly spread beyond the organisation’s physical boundaries only if all of these people share a common vision as well as a set of common values. Ohmae [93] says that companies need to create a set of shared values that are more global than local in nature. However, this is a time-consuming process and therefore the building of trust would also take a long time. Therefore there is a need for additional organisational patience in integrating across the global locations that it operates in.

Not only is trust important within different units in an organisation, any interorganisational relationship should be characterized by trust. This can be achieved only if the parties concerned take a collective view of their mutual long-term benefits and work consciously towards building a working relationship that results in achieving those benefits for all the parties to the relationship. Further, all the parties must realise that the benefits would be asymmetric by their very nature.

In a study of an inter-organisational system developed between Vodafone group Plc, UK and its alliance partner Telefonaktiebolaget LM Ericsson of Sweden, Ibbott and O’Keefe found that the process of building trust was left as an emergent process, with the parties permitting the process to serve as a learning for the people in both organisations. Clearly, trust played the pivotal role in the success of the partnership. However, there were a few factors that assisted in making the trustful relationship take root. There was widespread communication between the teams on both sides. There was no up-front planning of the events, so that there was no rigidity in the system. The financial benefits expected were discussed and the realisation that they would accrue at different times to each of the parties, and not to the same extent, was understood by both parties [99]. In a study of an inter-organisational system between Vodafone of the UK and Ericsson of Sweden, the authors discuss the various steps that were taken to establish a strong system of trust between various levels of management in both organisations and the impact of doing so.

Building trust therefore is a critical success factor for the globalising Indian company, both within and beyond the organisational boundaries. Increasingly, customers, suppliers and business partners of various kinds are being seen as integral to the strategy and to achieving its objectives.

3.11.3.6 Collaboration with alliance partners

Agility calls for an organisation to build only as much capacity as it can manage [100]. This would also enable the company to focus on those markets or strengths that will yield results as well as to create niches from where it can compete with confidence. Often, the products at the core tend to be of the nature of commodities, whereas the peripherals tend to be a source of differentiation. Therefore, in the global context, it would be a good idea to build niche capabilities away from the core. An agile organisation needs to be able to adapt rapidly to new requirements. Typically, it is not possible to build all the capabilities internally in time to respond to changing market needs. In this context, the need for strategic partnerships is of paramount importance. In today's world of specialisation, it is necessary to look at excellence and therefore, specific targeted alliances deliver better value than broad-based alliances. A study on 'going global with innovations from emerging economies' [101] found that the ability to collaborate very closely with customers, can help an organisation to build additional capabilities, and also be able to provide more robust products in a shorter time frame. The study also recommended the need for emerging economy companies to place more emphasis on transformation of the way they work. Often, organisations have been known to outsource even what is at the core of its competitiveness. Unless the core competence is defined and articulated clearly, there is every likelihood that it might squander critical elements that actually define the organisation and its future competitiveness [92], [102].

In the rapidly changing environment today, businesses have to be more responsive to the demands of their customers. Achieving the agility this requires means that it is not always possible for an organisation to build all the required skills by itself. Similarly, all the investments in assets and capital that are needed to make all the goods and deliver all the services required by customers are also very hard. This section explores the various modes in which organisations collaborate, especially in the current context in which the Internet has brought a new set of challenges to business. The comments in this section are based on literature, as well as through experience gained in managing alliances in the researcher's workplace.

Over the years, the pace at which organisations have entered into collaborations has increased substantially. During the period 1996 through 2001, 74000 acquisitions and 57000 alliances were announced in the US. Of this, 12460 acquisitions and 10349 alliances were formed in 2000. During 2002, however, there were only 7795 acquisitions and 5048 alliances, showing a slowdown in the pace. Once again, as organisations gear up for the growth expected during the next phase, collaboration has attained a high priority. This is evidenced by the fact that 8385 acquisitions and 5789 alliances were struck during 2003. [103] It is expected that this trend will continue through the coming few years as well.

3.11.3.6.1 Reasons for building alliances

There are several reasons that drive organisations to seek collaborations with suitable partners. The major ones are discussed below.

Focus on core competencies:

An organisation may decide that it would like to remain focused on its areas of core competence and use alliances to bring in the rest of the skills required. This has often been the reason for outsourcing, especially of information technology.

Local market access:

In order to extend the geographic coverage of the market or in order to address new customer segments hitherto not addressed by the organisation, it can enter into an alliance with a company that provides the additional reach. The alliance could cover some or all of the following areas: Marketing, Sales, Service and Distribution. The most important issue to be considered while choosing an alliance partner in this case is that the partner should be able to understand the customer in that new segment especially. This model is used quite often when companies go global.

Understanding of local issues:

When expanding its footprint into newer geographical areas, it is important to understand a host of issues pertaining to the new area. These may be laws and statutory issues, taxes and duties and any regulations that may be prevalent. At times, cultural issues become critical and the local partner would bring in that knowledge. Language may be a barrier while trying to access new areas and the local partner can help communicate effectively with the people**.**

Access to people and local talent:

It is not only to tap new markets that alliances can be entered into. At times, new geographical areas may provide a talent pool that the organisation would like to utilize. An example is the current wave of expansion of Indian outsourcing companies into the second and third tier cities, where a relatively under-utilized talent pool is still available. At times, alliances are used to ensure availability of labour or talent that otherwise may be scarce in the market, or that may become hard to develop and retain for the organisation seeking the alliance.

COST ARBITRAGE:

Perhaps the dominant reason for organisations considering alliances has been the ability to lower costs by transferring some of the work to other organisations that by virtue of specialization, size, or other reasons, are able to provide the same service or product at a lower cost.

MANUFACTURING BASE:

While expanding its manufacturing capacity, the organisation might consider a new location so that it can address some parts of the market in a more cost effective manner, by lowering transportation costs. When there are hazardous products that require careful transportation, or the products are perishable and have a low shelf life, it may make sense to have multiple manufacturing plants rather than a single large-scale plant. In global organisations, at times, a local manufacturing base may be necessary to adapt the product for local conditions or requirements. In such situations, companies often prefer to enter into alliances and use the facilities of the business partner rather than make an investment up-front. At a later date, the alliance may become an acquisition or the company may choose to set up its own manufacturing facility.

SPEED TO MARKET:

An alliance could help an organisation bring products or services to market faster than if it had to perform the entire range of activities on its own. Networks of suppliers can help the organisation learn faster and better. [104] . This will help the organisation respond better to the challenges of the market.

LOWER INVESTMENTS:

By working with suitable partners who have capabilities and investments in infrastructure or resources, a company could keep its initial investments low. Once it has achieved a certain scale, confidence or level of performance, the company can then decide to make larger investments as required.

3.11.3.6.2 Forms of alliances

There are several formats of alliances. They range from loose relationships setup for a specific short-term purpose, to equity participation, and finally, to the merger of the partners. One model, The Pyramid of Alliances [105] is described here.

Takeover/ merger: This occurs when one company completely acquires another company. The acquired company often considers this a “merger” while the acquiring company considers it a “takeover”.

Joint venture: Two companies cooperate in the creation of a new, separate business entity in order to reach mutually compatible goals.

Equity investment: A company purchases a part of another company’s equity for cash, stock or other consideration.

R&D partnership: Two companies join in a research project for the development of new technology and / or products for mutual benefit.

Technology transfer: One company transfers knowledge of its technology and the right to exploit it to another company for cash payment or other value.

Original Equipment Manufacturer/ private label: One company manufactures products that will be marketed and sold by another.

Licensing: One company agrees to provide its know-how to another company for the payment of a consideration, usually an up-front fee plus royalties. This is usually for a specific period of time. The agreement can be limited to specific technologies, geographies regions, and/or applications.

Joint marketing and/ or distribution: Some companies may join forces in order to market and/or distribute the products of both companies or one company only. An example is the airline industry, where code-share flights and joint frequent flier programs are common.

In today’s Internet age, newer forms of alliance structures are emerging.

Webs: Webs are clusters of companies that collaborate on a particular technology. [106]. There is typically no formal relationship amongst the participants. The motivation for staying together in a partnership would be purely economic. Therefore for a web to come into existence, it is necessary that relevant technology standards exist and that there is the possibility of increasing returns from investment in that technology. Webs succeed because of sharing risks, as well as by creating a mutual dependence between their members, so that more and more customers and producers adopt that technology. The adoption of this technology, then, should result in creating value for all those who adopt it.

Increasingly, both in the emerging and developed economies, governments are turning to partnerships with private entities in order to implement several projects for public good. The private sector does not have the incentive to deliver such projects and at the same time, government on its own does not have the skills or wherewithal for effectiveness. Ojha points out that in a typical private public partnership, the government organisation would be at the centre and non-government organisations would be the nodes of the network. He argues that in a well-designed and operated network, decision-making and operations can both be made more efficient. [107]

Complementary partnerships: In the case of Internet "brick-and-click" alliances, the complementarities of both the channel and services/ products offered are such that newer services and products can be offered to customers, while exploiting the strengths of each medium to its fullest. [108]

3.11.3.6.3 Selecting the appropriate mode of collaboration

In their paper "When to Ally and When to Acquire", [103] Dyer, Kale and Singh have suggested a framework to enable companies to select the mode of collaboration. They suggest that there are three sets of factors to be taken into account.

- Resources and synergies desired
- Market dynamics
- Competencies for collaborating

RESOURCES AND SYNERGIES

Modular synergies: This model holds when the alliance partners manage their resources separately, but pool them together for greater profits only. Some examples are the use of code sharing in airlines, or reciprocal arrangements between airline and hotel partners. Typically, in such cases, the preferred mode of collaboration would be non-equity alliance

Sequential synergies: This occurs in cases where one of the partners completes its work and then hands over to the next partner for performing its set of tasks. Examples are logistics partners for distribution of manufactured products, and assemblers of end products from sub-assemblies produced by partners. For such alliances to succeed, it is best that there are formal rigid contracts that are monitored carefully by both parties. Alternately, equity-based alliances could also work well in such situations.

Reciprocal synergies: Very often, the interdependence of the partners may not have very clear-cut hand-off points. It may require an iterative process of sharing knowledge and resources. At times, the partners may also need to combine and even customize their resources in order to be able to achieve the results expected from the alliance. An example is the alliance between two companies in the same industry. These situations typically call for a merger or acquisition.

Resources: There are two aspects of resources that also influence the type of alliance: the nature of resources to be shared (hard assets or soft such as manpower) and the extent of redundant resources (surplus generated or resources that become redundant).

MARKET DYNAMICS

Degree of uncertainty: All alliances have risk inherent in them. However, if there is a higher degree of uncertainty about the technology or product, a non-equity or equity alliance would be more meaningful than an acquisition.

Competition: If the future business outlook is very uncertain, an acquisition is not recommended; however, it may be possible to acquire the company at a later date, once the uncertainty has receded.

Collaboration Capability

Some firms have had considerable experience in one or other strategy and therefore, these firms tend to use the strategy that they are more conversant with. However, this could result in the wrong choice of alliance strategy in a particular situation.

3.11.3.6.4 Major causes of failure of alliances

Of the many alliances and acquisitions that we see being set up, very few can be termed as being successful. In this section, the causes of failure are examined, and some suggestions for creating successful alliances are proposed. In a study of 1592 alliances entered into by 200 US corporations between 1993 and 1997, it was found that 48% failed within a period of 24 months. [103] Similarly, it was found that acquiring companies did not actually create long-term value for their shareholders, whereas the share price of the target company did undergo an increase within a few days of announcement of the acquisition. [109]

A lot of research has been done to establish the causes of failure, both in the academic world and by business managers and the major ones are described below.

Lack of common objectives

Perhaps the greatest reason for failure of a partnership is the fact that the partners do not share a common vision of the objectives to be achieved in the marketplace. The organisations would all have a set of market objectives, going beyond just profit and shareholder returns. Typically, these would be in the form of specific market demands and needs that are to be met. A successful alliance would share the same vision for serving the needs of the customers, and the partners would have the same objectives of customer satisfaction. However, when the organisation sees its partners as merely suppliers and fails to share the excitement and commitment to its patterns, it is fairly certain that the alliance will fail to achieve its goals.

DIFFERENCE IN ORGANIZATIONAL CULTURE AND VALUES

Especially in cross- cultural or international alliances, societal culture has a major role to play. The same words could mean different things; practices both business and social could be very different. Diversity can be brought out by the national context as well. Similarly, the corporate culture and any differences in the culture between alliance members can also be a source of much difference between the partners. Management practices and organizational structures that are widely different are also likely to result in conflict between the partners and make it extremely difficult for the partners to work together effectively. [110]

LACK OF CLARITY OF OBJECTIVES FOR SUCCESS

It is very critical that the organisation and its partner lay down clear objectives for the partnership, in line with the common objectives set up and agreed upon. These must be measurable by both organisations, via easy key indicators that are visible to both. Once the goals are clearly defined, it becomes possible for both organisations to work towards achieving those. As an example, if an organisation wants to use outsourcing as a means to reduce costs, merely transferring inventory to the outsourcing pattern will not help, as the overall cost of inventory will still show up in the product cost. However, if both organisations work together to reduce cost on the entire supply chain, that would help the company realize its objective of reducing cost. [111] Further, a study by Dun & Bradstreet in 2000 found that 70% of companies stated that suppliers did not understand what they were supposed to do. [111]

DEPENDENCE ON INDIVIDUAL RATHER THAN ORGANIZATIONAL RELATIONSHIP

Very often, the relationship between the partners is highly dependent on the individuals who are responsible for managing it. In such cases, if there are any issues, they are entirely known and managed only by the persons concerned. The rest of the organisation does not take the partnership seriously and the strategic nature of the relationship is lost.

POTENTIAL AREAS OF CONFLICT

At times, the alliance partners may have overlapping interests. [110]. Sometimes, a potential overlap that may be evident from the start of the relationship is often ignored, resulting in considerable misunderstanding at a later date and even dissolution of the alliance.

UNEXPECTED OUTCOMES

While the partners may enter into an alliance for a specific purpose, there may be unforeseen outcomes in the short or even long term that result in customers getting dissatisfied or disillusioned. An example is the alliance in the US airline industry, which is now being seen as a concern to consumers as they find fewer mileage flights or lack of transparency. Further, there are also regulatory concerns that healthy competition in the sector is being stifled by the many alliances that have been formed. [112]

3.11.3.6.5 Successful alliances

From the fore-going and the experiences of various successful alliances, a few suggestions are made, to enable organisations to gain competitive advantage through the partnerships they form.

1. Trust is the cornerstone of any meaningful relationship. All the alliance members must consciously define what trust means to each of them

and how they will all work together to achieve the level of trust that is required for a long-term, successful teaming.

2. A combination of tangible and intangible assets can help build a strong, long-lasting alliance outcome. This is particularly true in the Internet based alliances.
3. Alliances between complementary players can result in providing meaningful results to their customers. For example, a pure-play content firm may ally with an off-line player who provides the actual goods and services related to the same area.
4. Set the right set of objectives. Highly unrealistic expectations on the part of the market or any of the alliance members can result in a high degree of dissatisfaction. These objectives should further be quantifiable or at least measurable and commonly understood by the partners.
5. All alliance partners must commit adequate resources to enable the achievement of the common goals set for the alliance
6. Alliances must be built on the collective strengths of the partners. [113] In this way, the partners will remain focused on those skills and capabilities that they are strong in and can continually innovate on and invest in.
7. Ensure that good governance structure and processes are put in place. Research has shown that with the right governance model in place, an alliance has a greater chance of success. [108]
8. Where there is uncertainty about the potential of an alliance, the organisations can experiment with a pilot; based on its success as well as the learning gained by the partners, they can then decide on the best way forward. This is particularly useful in situations in which there is high uncertainty, where one or more partners have not been in similar relationships before, a new set of products or services are being offered or where a new mode of collaboration is being tried out.
9. Change has to be managed, just as it is in any organizational initiative. When an alliance is built, staff in the partner organisations have to

understand clearly the context and objectives of the alliance. It is not only the staff who are responsible for immediate delivery of the services or products, but also the staff who support them and enable them to perform their tasks, who have to understand and share the partnership vision. Sometimes, as in outsourcing, tradeoffs have to be made and decisions made, which are not reversible. In such situations, therefore, it is critical that transition within the organisations is managed properly.

10. Select the right mode of alliance. The company that is seeking an alliance must know what it wants to achieve, what it would like to do on its own (on the basis of its core competencies) and select the appropriate mode of alliance for this situation. Further, there must be strategic reasons for the alliance and not tactical ones, [111] for tactical moves will not give any competitive advantage to the organisation in the long term.
11. Finally, an alliance has to be managed as carefully as if the partner also belongs to the organisation itself. Building alliances is not about pushing a management problem out to another company; it is about finding alternative ways of achieving its vision.

This last section described 6 different aspects of building up the capability required for a company to meet its global aspirations. However, each aspect of capability, described above, is based mostly on Western literature. What aspects of capability do Indian companies consider important? How do they build capability for the global market? This study explores how the selected cases view alliances and manage them in the global context.

3.11.4 RESILIENCE

The importance of resilience for a global organisation has been mentioned briefly in Section 3.4.2 and is described more fully below.

3.11.4.1 Risk taking

While making management decisions and putting strategies in place, esp in the dynamic marketplace of today, a certain degree of risk is called for. Unless the organisation is willing to risk the unknown, it would be impossible to compete effectively in the challenging global competitive landscape. The time available to convert an idea into real marketable action is not high. The organisation that wants to gain advantage of being the first mover, therefore is willing to take risks and invest in these ideas that it believes will help it lead the market. This also implies that while a certain amount of analysis is required to ascertain the wisdom of making such investments, too much analysis can paralyse the team and keep them from taking any real action. In this context, it is relevant to note the point made by Kenichi Ohmae [7] that strategic vision is about identifying the constraints seen as being limiting factors and finding ways to remove these perceived obstacles.

In taking decisions, people and organisations are subject to either overestimating or underestimating their decisions and thus run the risk of making an incorrect decision. Such errors arise from the cognitive biases of human beings [114]. By nature, many people are prone to avert losses and tend to overestimate the degree of likely loss arising from a planned action. On the other hand, people might also choose to be over optimistic about the outcome, as they invest more emotional energy in the planned action. Such biases result in distortions. Deceptions arise from misalignment of time or risk profiles, or from not wanting to oppose the dominant view or that of the champion. For an organisation to take appropriate risks, it needs to build the discipline that enables its managers to take decisions that are as free from various types of biases as is possible.

3.11.4.1.1 Assessing risk

Every organisation has to respond to externalities that it is faced with. These externalities manifest as risks that may become a reality and can cause disruption. All organisations have to be aware of the risks they face, their likelihood of occurrence and possible impact. This would allow them to take steps to either avoid or face the situations that arise. Just as an organisation is faced with risks, it also has a number of assets which are what help it to prepare for and deal with risks. Pure risks are those that lead to undesirable outcomes, but do not have any effect if there is no occurrence. Pure personal assets lead to positive outcomes, but have no influence if they are absent. [115]

In assessing risk, it is important to take into account also the interconnectedness between different types of risk. Thus even though a single risk may not result in a failure, several risks, taken together can very well result in a string of failures. There are now sophisticated techniques available to model risks, and the possible impact. [116] Models such as the vulnerability framework suggested by Sheffi and Rice [117] or the impact assessment metrics suggested by the COSO framework, consider the consequences of an event in the probability of its occurrence as the dimensions for evaluating different risks. As supply chains are becoming more global, companies are using scenario planning to model the dynamics and consequences of certain types of risks.

Complexity can result in a lot of fragility, especially as the number of interfaces between different modules or groups increases exponentially. With extremely levels of complexity, disaster is almost inevitable. It is the internal weaknesses of systems that are exposed when an external stimulus triggers undesirable behaviour and results in a situation that could turn into a crisis. [116]

Sheffi and Rice [117] have proposed the “disruption profile”, which describes the stages that an organisation goes through when an adverse event occurs. It has eight phases:

- preparation
- the disruptive event
- first response

- initial impact
- full impact
- preparation for recovery
- recovery
- long-term impact

3.11.4.1.2 Managing risk

Organisations cope with difficult situations, in very different ways. There are two broad approaches-crisis management planning and organisation contingency planning. Neither of these approaches on its own, however, leads to the creation of resilient organisations in the long run. The author suggests that it is possible to use a learning and organisational approach to building resilience of organisations. Several researchers have described the various phases in a crisis and the way in which organisations deal with these crises. However, in order to build long-term resilience, security and sensitisation of leaders to their roles in times of crisis are most important. Many authors have analysed the fallout of a crisis situation, and one of their conclusions is that there is a general tendency for people to forget, once the crisis is past. Hence the importance according to the author, of a learning environment that will help people be prepared for and deal with emergencies. [118]

From a supply chain point of view, it is fair to say that resilience depends on the company's competitive position, and the ability of its supply chain to respond to conditions in the market. Building redundancy and flexibility are two ways in which organisations can improve their resilience. [117] The same argument may be extended to all operating parts of the organisation. Some companies develop internally, those capabilities and investments that they see as critical for continuity, while others may be sourced from outside the organisation

Bonabeau suggests three complementary strategies that can help to mitigate the risk presented by increasing complexity. [116]

- Assess risk to make better- informed decisions
- Locate vulnerabilities and fix them, even if there is no contingency
- While building resilience, remove weaknesses from the design

In order to prepare for an eventuality organisations have to test the risk profiles. For this activity, it is important to have the ability to bring several different perspectives, especially while testing systems and looking for possible points of failure, as well as judging their reaction to attacks is extremely important. The formal organisation structure often does not reflect the manner in which work is actually carried out. Management has to stay tuned to this reality and ensure that the formal structure is modified suitably as required, as otherwise, certain individuals could become points of risk and exposure.

While complexity seems to be inevitable, wherever possible, simplifying processes and structures would make it much easier for people to act, whether in terms of avoiding or responding to a possible crisis. There are typically two types of risk mitigation strategies followed by companies from developed economies as they enter unknown territories. They could either depend on internal learning from their own experiences or on learning from the experience of external sources such as alliance partners. Ramachandran, et al suggest that the strategies of emerging economy companies might be different, given their different context. [1]

Resilient organisations go beyond managing risk. They see difficult situations, not as inhibitors, but as opportunities to drive innovation, new business models, etc. For example, in the case presented by Wastell, et al, they say that the organisation they studied saw the threat they were faced with as an opportunity to develop a new strategic identity. [119] It is further borne out that not just the selection of the markets, but also on-going assessment is important. Periodic assessment must be done to understand the risks and trends in each market and if need be, the portfolio strategy must be re-worked accordingly. [53]

3.11.4.2 Agility in decision making

As the global markets are so varied in their characteristics and requirements, it becomes essential for the company to be responsive almost in real time to requirements and changes triggered in each of the markets in which it operates. This requires that information be available instantly and in a form in which decisions can be taken on the basis of that information.

Thus, strong information systems are a basic requirement for global companies. Since there are several local issues that need to be addressed separately, the organisation cannot wait for the head office or a central office to take decisions. This is borne out by Ohmae [93] who says that it is not possible for a global company to take all key decisions centrally and expect them to be implemented all across the various units of the organisation. He recommends that the geographical units have the freedom to take local decisions and solve problems locally rather than having to refer to the corporate headquarters each time. This brings the discussion to the issue of whether regionalisation is more effective than a structure that is centred in one single location.

In their paper, Lovallo and Sibony describe six circumstances that distort the decisions taken by organisations and the kinds of biases that cause these distortions to occur. They also suggest some mechanisms to be put in place to guard against the occurrence of these biases and imbalances. [114]. Being aware of the types of distortions that can arise in the decision making process of an organisation, it is necessary to build in the necessary checks and balances that will enable it to withstand situations arising out of incorrect decisions. In the fast competitive scenario that the Indian organisations today operate in, they are at a disadvantage as they have less sophisticated information systems than their global multinational counterparts. Therefore, even as they shore up their systems to provide similar information, they have to put in place mechanisms that enable them to take robust business decisions. Even with more advanced information systems, it would be necessary to ensure a strong foundation for the decision and review mechanism to be place. At the same time, intellectual property, the ability to create newer capabilities and address newer requirements of the market, are all important to success in the global market. Corporate reputation will also play an increasingly important role. [1]. All of these factors influence the manner in which firms build resilience,

3.11.4.3 Organisation

As an organisation engages more in global operations, its staff, customers and suppliers also become more global. Success in the global context also requires a different set of critical success factors than when it operates in a single geographic location. Managing these distant/remote relationships and ensuring the right decisions and actions in the face of the many different priorities requires that the right organisation structure and processes are put in place. Chittoor, et al have dealt with various aspects of the internationalizing firm managing its resources (financial and managerial) well. [120]. In this section, we explore 3 aspects of how companies organise for global operations – learning, structure and building resilience.

3.11.4.3.1 Learning organisation

While all organisations need to learn in order to adapt to changing circumstances, the global corporation is faced with a special set of challenges as it needs to learn to apply the ideas that worked in a certain market or circumstance, in other situations. This implies being in constant communication amongst all the subsidiaries or local entities, being able to glean learnings from one entity and transfer it suitably to others. Companies that are successful in making such innovation work are those that are constantly seeking out various sources of relevant information, both internal and external. However, the most important characteristic of such organisations is their ability to extract and assimilate information from these various sources to convert such understanding into sources of competitive advantage. In the example of Sundram Fasteners, best practices are transferred from one unit to another; this describes the manner in which companies need to operate in the global market. [95] Effective innovators are also able to learn from their customers with whom they partner closely, as well as from other organisations that they partner with. [121] In discussing the training and capability development of Japanese multinational companies in Vietnam, Vo [124] says that the local business system and market situation pose challenges to the way in which training and knowledge transfer is conducted to subsidiaries In other countries. Thus, local sensitivities are important to run practices and processes in a way that makes it possible to take advantage of the host country, as well as local strengths.

'Ambidexterity' is highlighted as an important element of the success of multinational enterprises from emerging economies. It is defined as comprising co-evolution, co-competence, co-opetition and co-orientation. The importance of such ambidexterity, especially as a characteristic of resilience has also been highlighted. [122] Johnson, et al [123] in their study of Taiwanese firms, say that for 'non-Triad' globalising companies, learning is very critical as is persistence despite setbacks early in their foray, whereas they might invest less in R&D. However, there is limited literature on the transfer of HR practices between different locations of multinational corporations from developing countries. [124] p 276

3.11.4.3.2 Organisation structure

Many successful global corporations have realized that imposing their practices from the parent organisation or from other countries where it is operating, does not always produce the best results. They therefore choose to keep the operations of acquired entities separate, except for providing management oversight and funding as required. [125] The parent therefore performs the role of venture capitalist and facilitates the transfer of know-how and experience across its various entities in different parts of the world. Particularly in the low end or emerging markets, it has been found that it pays to use homegrown management methods and to be sensitive and responsive to local tastes and income levels. While a company that was started after the advent of globalization and keeping in mind that it would have to compete in the global market has focused on a suitable organisation structure, the older companies have had to consciously transform their structures to gain the agility required for effectiveness.

A global customer would expect that the same level of service is consistently provided in all the countries where they operate. Similarly, suppliers also need to be managed consistently across the world. [96] By ensuring that parts of operations are located where skills are available, it is also possible to optimise the capacity of the organisation. Building more capacity than is essential is not recommended. [100]. However, there are several stories of companies that did build the capacity needed to manage their own growth. Similarly, by restricting the investments in capacity, the company can focus on its strengths and become more agile.

Some definitions of global organisations state that globalisation is about providing the same sets of products or services to customers across different parts of the globe. This is far from true and several thinkers such as Rugman [126] and Ohmae [127] have suggested that a triad view is much more reasonable. In this view, most of the trade that takes place is within each of the triads / regions – North America, European Union and Japan / Asia . However, in the current multi-polar context, it would seem that the requirements of markets can be differentiated at a further level – perhaps a country level or at best a group of countries with similar demographics. Successful strategies therefore have to take into account these differences and cannot be based on a single "global" view.

In line with this, organisation structures also need to take into account the capabilities in each of the divisions that the company breaks its operations into. Similarly, innovation might also be driven along the lines of the triads or clusters

[67]. In responding to the new demands of global customers, several companies have actually had to craft brand new strategies – often redefining their very purpose.

For companies from the emerging economies to succeed they must be extremely entrepreneurial. Five variables describe an entrepreneurial firm – innovativeness, risk taking, pro-activeness, competitive aggression and autonomy. It is also necessary to create a strong vision that energises the organisation to act in a manner that will enable it to succeed in the various global markets it chooses to tackle. [1]

There are a few specific issues that must be addressed while looking at the international strategy of a firm [128]. Differences across countries must be addressed through usage of integrative frameworks. While there might be tendency to simplify the responses to different markets, esp given the integration mentioned before, it is also important to avoid over-simplification. Differences in environment and governance between locations must be recognised and accounted for. Ghemawat [129] gives us a framework to address "distances" of different kind that have to be bridged. The strategy is part of an "ecology" [128] that consists of the geographical location and firms in addition to the strategy itself.

The global strategy must address a range of markets that are relevant to the firm, in many cases addressing the needs of the "bottom of the pyramid" or the large percentage of people who are typically not addressed as being profitable [4]. In order to address the new markets, new ways of thinking are required. These new ways would be key to disruptive innovation that could potentially change the nature of the industry and competition as well.

Ramachadran, et al say that the right organisational structure, processes and policies, planning of activities and risk mitigation are key organisational elements that need to be managed extremely carefully for success. The entrepreneurial behaviour, characterised by high risk taking, would have to be balanced by behaviour that supports a firm which creates strong sustainable positions in the market. [1] The organisational structure must support the cultural imperatives of building a resilient organisation. As organisations become more global, and extend beyond the boundaries defined in the past, apart from individual performance a lot of emphasis must be placed on team performance as well.

Diversification is seen as a means to reduce risks and manage a portfolio of products or services. However, the optimal extent of diversification is dependent on several factors. Porter [130] defines three tests for assessing the likelihood of adding value to the stakeholder:

Industries chosen must be structurally attractive
Cost of entry must be such that there is a future profit stream
Net gain from the diversification

There is added cost to diversification, as the corporate entity would have to nurture every unit in the portfolio. Therefore, unless the initiative passes all three tests, as well as in the final analysis, adds value to the corporation and its shareholders, diversification might not be the answer to the issues faced. Sometimes though, diversification becomes a great opportunity for learning and creating new skills within the corporation. Even while building a portfolio, corporations must ensure that they continue to focus all their energies on the core competence identified by them [92]. While in the past, companies competed on the basis of cost, quality, time to market or customer responsiveness, today that is insufficient. These are merely basic requirements that must be fulfilled in any case [102]. Other competence based factors must be identified for the company to build its advantage on [92].

Efforts made by organisations in restructuring or reengineering are all focused on the short term. Such efforts are not sufficient for creating any kind of competitive advantage. That would be possible only if there is focus on the long term, with the ability to root the vision in industry foresight [102]. In fact, with industry boundaries blurring, foresight and vision must not be constrained by such boundaries, but go beyond to address known and anticipated customer needs. Ultimately, a strong winning strategy is based on the company's view of the future rather than that of other competitors. Since today's predominantly entrepreneurial environment calls for characteristics such as speed, creativity and ingenuity, organisations have to create a business climate in which entrepreneurship can work well. [11] The role of the corporate headquarters has to be redefined in this new context from being a command and control function to one that is a "resource mobiliser", "interface lubricator" and "strategic sensitizer". [20]

The following section explores the area of resilience, specifically with respect to organisations that are entering the global market.

3.11.4.3.3 Building resilience for the global market

With markets becoming increasingly global, the structure and operations of companies and their competitors are changing to be in line with the new requirements. Legal and institutional structures are very different in different countries. Organisations are finding that they cannot do all that they have to do in order to address the requirements of their various customers in a manner that delivers value, unless they build several alliances. Customers are increasingly demanding better service and more innovation. As customer groups spread geographically, companies find that they have to cater to many different types of needs. Employees and their motivations also differ widely. Recent events have shown us that their impact is being felt not just in the areas that they originated from, but also across the globe. In such an environment, as organisations from emerging markets seek to compete globally, they have to focus specifically on building resilience.

In recent times, the occurrence of adverse events seems to have gathered pace and an increasingly larger number of events have been impacting societies and companies. One of these is the recent economic downturn of 2007 - 8. While the causes originated in a few organisations, they have gone well beyond their local setting and have impacted the entire globe. It has been difficult, or even impossible to assess or understand the extent of damage and erosion of value caused by the carelessness of a few people in a few organisations in a few countries. Another was the terrorist attack in Mumbai, which held the entire city to ransom for three days. Again, the real impact and outcome of this attack by a small number of people remains unknown.

As organisations and societies become more intertwined, all aspects of systems are also becoming more complex. Complexity can lead to considerable vulnerability. Natural disasters, economic crises, political events, and man-made disasters, have all been encountered across the world. This is in addition to the personal challenges faced by individuals, as they learn to cope with a new set of pressures brought about by an ever increasing global participation. Some of these events have imposed a very high level of stress and insurmountable challenges. Countries, societies, organisations and individuals are all seemingly facing more adversity than has been the case in the last several decades. Yet, there are people and organisations that have risen to be stronger than before such an event. This section explores what it takes to build an organisation that is capable of not just reacting to an adversity but also of building resilience that would allow it to respond in a proactive manner.

Definition of Resilience

Literature yields several definitions of resilience. Resilience has been defined as "the ability to demonstrate both strength and flexibility in the face of frightening disorder".[131] p 94. It is also described as "the ability to bounce back from adversity or personal setbacks". [115] p 25

The International Resilience Project defines resilience as "a universal capacity, which allows a person, group or community to prevent, minimise or overcome the damaging effects of adversity… resilient behaviour may be in the form of maintenance or normal development despite the adversity, or a promoter of growth beyond the present level of functioning." [119] p 60 Others connect resilience with the elasticity of a system. One of these is that it is "the magnitude of disturbance that can be tolerated before a socio ecological system moves to different region or state controlled by different set of processes." [132] p 538 The United Nations international strategy for disaster reduction defines resilience as the capacity of a system, community or society to resist a change in order that it may obtain an acceptable level of functioning and structure. [133] Wastell, et al have described it as "the ability to cope with change through continuous process of renewal". [119] p 59

The possibility of an adverse event that might cause some damage is the risk associated with that event. In order to survive and deal with such externalities or even challenges posed from inside the organisation, risk management as a discipline has been created. However, from the foregoing discussion, it can be seen that resilience is much more than simply managing risk. Resilience is about the culture of an organisation, and not just the structure or the processes that the organisation uses to deal with crisis situations. Finally, it is not just about responding to external shocks, but also about taking advantage of opportunities afforded by changes in the environment or within the organisation. In this context, Luthans et al [115] p 28 describe resilience as "the developable capacity to rebound or bounce back from adversity, conflict, failure or even positive events, progress and increased responsibility". Resilience implies that the individual returns to normal functioning after an adverse event or sometimes is even able to perform better.

TRAITS OF RESILIENT ORGANISATIONS

In this section, the traits of resilient individuals and organisations are discussed with a view to understanding what it is that goes to building this capability. Resilience is an organisation's capacity to respond positively or at least adaptively, to disruptive change. It implies, not just the ability to withstand external shocks, but also that the organisation must have a capacity for adaptation and learning. It would seem, therefore, that innovative organisations would do better in terms of imbibing change. [134]

Hunter sees resilience as a tolerance for ambiguity in crisis situations. She defines five traits of leaders that helps them become resilient [135]

1. Extraversion: charismatic leaders are often seen to be active, talkative, energetic and optimistic. They tend to create a positive environment around themselves
2. Emotional stability: only emotionally stable people are able to remain calm and secure even under very stressful situations
3. Agreeableness: such people tend to be cooperative, gentle, kind and trusting. Such leaders are able to collaborate extremely well with others and have a strong concern for the well-being of others, even in a stressful situation.
4. Conscientiousness: such leaders have a strong sense of direction and work very hard to achieve these goals. With their attention to detail, conscientious leaders can be depended upon to persist until a situation gets resolved suitably
5. Openness to experience allows leaders to be creative, resourceful, imaginative, introspective and insightful. Such leaders tend to be flexible and are able to think in divergent ways, especially in a situation that has no precedent leaders often have to depend on their own intuition and creativity to take tough decisions and resolve dilemmas, often at very short notice.

An organisation with resilient behaviour has the following characteristics [119]:

- improvisation
- resourcefulness
- determination to persevere and succeed, using the resources available
- spontaneous innovation from across all parts of the organisation
- agility
- subtlety
- strong leadership

The five characteristics of a resilient person or organisation are: positive, focused, organised, proactive and flexible. [131]

- Positive people look for opportunities that are presented by any kind of change
- Focused implies that the individual has a clear vision of what they want to achieve
- Organised people are able to translate information into effective plans that enable them to move forward quickly
- Pro-activity implies the ability to take calibrated risks in small windows of possibility. Resilient individuals and organisations are able to test their ideas, learn from experience and revise their plans rapidly.
- Flexibility is the ability to develop multiple creative strategies for responding to change. This means being creative, being able to tolerate ambiguity, and also being able to participate effectively in a network and share the resources of others.

Gary Hamel suggests that there are four key lessons that can be learnt from the manner in which America as a nation has dealt with several crises.

- coherence and diversity knit into solidarity
- community and activism
- balancing strength and compassion

- managing the tension between the spiritual and material aspects of life

He suggests that these essential elements of America are what have enabled the country to welcome extremes, confront them, and subsequently transcend them. In a sense, these then are some characteristics of resilient societies. [136]

It is often useful to look at resilience, not just at the level of individual firms, but also at a group of firms or an industry. Just as the richness of species in an eco-system results in greater resilience, an industry with a richness of industrial functions is also likely to be more resilient. Thus, the industry which combines the strategies and actions of all the companies in it is more likely to sustain economic growth and stability. While larger companies have the ability to sustain and invest more, smaller companies have the advantage of being more nimble or focused and being able to take more risks. However, the smaller organisations would have a number of short-term constraints that stop them from absorbing the shocks that they are subject to. Diversity and competition in the industry help build more richness and innovation. [132]

Yet another dimension is resilience of the economic system as a whole. From this viewpoint, it would seem that for an industry to sustain, it is dependent on the diversity of firms, their size and capability, and the strategies that members of the industry should adopt in order to cope with change and crises that they are faced with. Once again, just as in any natural system, greater resilience is about the ability of the system to be able to respond adaptively, in the same way, resilient individuals and organisations also have to learn to adapt to changed circumstances. Cheng has suggested in his paper that there are different characteristics that have built resilience in different cultures and countries. Some examples cited are Americans (individualism and independence), Japanese (scarcity and value), and Singaporeans (need to survive). [137]

From the discussions above, we realise that each individual, organisation and industry is in a unique situation. While there are some common traits that we see across all of these, we cannot view them in isolation from the set of circumstances and environmental factors that they are a part of. Therefore, there is no common set of prescriptions that can be laid out for every organisation. However, there still are a few common bricks on which the foundation for resilient organisations may be laid.

3.11.4.3.4 Building a resilient organisation

To become resilient, an organisation must address four challenges according to Hamel and Valikangas. [70]

- Cognitive: be willing to acknowledge the changes taking place and its own ability to respond successfully
- Strategic: it should be possible for the organisation to generate several alternatives
- Political: be able to support a portfolio of experiments, diverting attention if required, from areas that were considered critical to the company's success in the past.
- Ideological: get beyond operational excellence and flawless execution

While thinking about building resilience, it makes sense to consider the ecosystem as a whole rather than consider only the organisation in isolation [132]. The ecological, economic and social aspects must all be taken into account, in such a discussion. While short-term policies focus on promoting growth, the longer term policies have to focus on building stability, along with growth. [132] Any discussion about resilience cannot be considered without also taking into account long-term growth, as it is this that permits the investments required to build resilience into the organisation. Creating a resilient organisation calls for investment in developing economic, intellectual and psychological capital. Luthans highlights that in particular, the characteristic of resiliency is very important. [115] Building psychological capital means helping an individual further the following characteristics: [115]

- Confidence to succeed in challenging tasks
- Optimism about succeeding (now and in the future)
- Hope and perseverance towards goals and redirecting paths as required,
- Resilience to attain success

Most organisations have traditionally learnt to build capability that enables them to become more efficient and predictable. The resultant mechanistically restructured organisations, however, have great difficulty in adapting to changes in circumstances as they are primarily designed not for innovation, but for predetermined objectives and operations. In the increasingly complex world of business today, flexibility and the ability to take creative action in the face of a high degree of change are critical. [138]

Many management thinkers have expressed that resilience requires an organisation to be able to simultaneously manage several contrary strategies and ways of working. Broadly, these contrary strategies may be grouped as "execution ability" and "adaptive ability". Beinhocker suggests that most organisations are unable to do both well at the same time. [139] Horne, in his article, suggests that there are three concerns that organisations have – "developing an agile response to change, developing an organisational learning and systems focus and stimulating greater levels of workforce commitment and involvement". [138] p 26

There is therefore the need to re-look at organisations and the way they are built. In general, organisations with a higher degree of diversity are likely to be more resilient; however, they also have to be large enough to permit of diversity. Just as we consider the entire ecosystem, consisting of many constituents while describing its ability to sustain, in similar fashion, networks of firms, rather than individual firms, are likely to be more resilient. With the evolving organisational forms moving towards more networks, such a point of view would become more relevant.

From the foregoing, it is reasonable to say that, rather than the deep hierarchical structure of the past, a more fluid structure would be a lot more appropriate for the innovative, agile organisations required to succeed in today's global marketplace. In general, the ecosystems in nature seem to have a much better ability to adapt to rapid changes. To draw a parallel, we then have to consider organisational ecosystems, rather than individual organisations when we look at building resilient capability. Horne suggests that technology, markets, workforces and organisations together form these ecosystems.

Luthans, et al state that people can learn ways to become resilient. [115] They describe a proactive approach to developing resilience, which includes the following HR strategies:

- Risk-focused human resource development strategy: when the organisation avoids circumstances and reduces the risks of adverse events. A strong support network, and an ethical organisational culture of trust and reciprocity, is two ways to support this strategy.
- An asset-focused human resource development strategy calls for the company to invest in the human and social capital of its employees.
- Finally, a process-focused human resource development strategy focuses on efficacy, which in turn is related to work performance and openness to development. Substantial training and mentoring can assist in developing resilience by creating a sense of self-confidence.

There are also reactive approaches to developing resilience. They centre on self enhancement, attribution, and hardiness. Having suitable role models amongst the leadership can support the development of resilient employees. In a resilient organisation, the culture is such that those employees who are closest to the customers and markets are empowered to make the right decisions even in an eventuality. [117]

Horne [138] suggests a framework for building resilience in an organisation, which would require focus on several interrelated areas-

- communication of direction,
- coordination of small and large change efforts,
- competencies of individuals and groups,
- commitment by all parts of the organisation to work together with trust,
- consideration by leaders of change and its impact,
- connections that allow communication and interaction within the organisation,
- community perspective of the future vision.

As businesses and organisations are becoming sensitive to the importance of building resilience at the individual, team and company level, training in the area of resilience is becoming more popular. However, real learning can only take place when faced with actual crisis situations –"trial by fire ". [140] The author has however not dealt with the fact that in the global world, it is not just organisations, but networks of organisations that need to build resilience. Similarly, teams are no longer confined to an organisation, but are often cross functional, as well as drawn from across organisations. This adds a very high level of complexity to any efforts at building resilience.

It might often be necessary to let go of ideas, structures and methods that have stood the firm in good stead for a long time and adopt a completely different direction, stance or a new way of working at very short notice. By making sure that employees have the knowledge and skills that are necessary to resolve problems as well as to improve productivity, the organisation can become more adept at handling change. The authors recommend that multilevel leadership is critical to overcome the adverse consequences of change. [134]

A very important element of resilience is the ability to improvise in situations that called for a quick response. This will have to be followed by a series of steps to share information quickly across all those involved. In Barrett's approach, while coaching for resilience, she advises that there are no failures - but only opportunities for learning. [131]. The same principle would also apply to organisations. This researcher believes that the same set of characteristics as individuals, could define resilience in an organisation. And just as it is possible to coach individuals to build these characteristics in themselves, it should be equally possible for organisations to build the same capabilities through effective training and coaching.

Which of these aspects of resilience would globalising Indian organisations consider important?

3.11.4.4 Governance

As the organisation is geographically spread outside of its normal territory, it is also exposed to events and triggers in all of the markets in which it is present. Very often, in order to be responsive, the incidence of events would need to be reflected immediately in the information systems and dashboards used by senior management. Similarly, the need for quick learning and responsiveness across the countries means that the organisation should be able to share knowledge across its various locations and constituents. Further, the extended organisation is also a source of learning and therefore, alliance partners must also be able to share information as required. [13]

Investments would flow in from across several parts of the world, from individuals as well as institutions. All investors would require a much higher level of accountability on the part of the company they have invested in. This would be enabled by the communication channels and mechanisms that are now available. Such greater scrutiny would put a lot of pressure on company managements to ensure that they have access to the right information at the time it is required for quick decision making. They would also have to ensure transparency at levels not known until now.

Studies undertaken showed that shareholders from across different parts of the world were actually willing to pay a premium for shares in an organisation that they believed was more accountable for its actions as well as more transparent in its reporting and management. [141] and [142] Various writers have suggested that structure is not as important as the process and that misplaced focus on structure has resulted in unnecessary effort, with little improvement in corporate governance over time. [143]

The board of the company has a very strong role to play in ensuring resilience. The governance mechanism must be built in such a way that it puts in place the processes that would bring about long-term resilience. Increasingly, the markets have been seen as being the drivers that would result in well-governed companies. However, Strebel points out that the markets on their own are unable to assess the full impact of companies, especially in terms of their social impact; also they take a relatively short term view of performance. [144] Therefore, the governing mechanism has to be within the organisation.

At different stages of evolution of an organisation, governance has a different significance. Strebel states that there are four main roles of the board: Auditing, Supervising, Coaching and Steering. During each life stage of the organisation, one of these roles would be the dominant one. The challenge is being able to understand under what conditions, which role is important and must dominate. For this, it is important to recognize the way in which externalities are changing and the likely impact on the company and its partners. As always, the board must make sure that the right types of competencies are put in place, the principles of independence followed, responsibility for different tasks or areas are clearly allocated, and there is a strong mechanism that allows the board to know when changes are called for and their impact. In the context of building and running a global company successfully, the board can add substantial value in guiding the company to succeed in the current global context, both in terms of vision and the skills necessary to execute.

An example is cited by Barton, et al in their paper of a bank that brought in several outside directors, including a CEO from a retail company who could help guide the building of the retail business in the bank. Other key executives brought in to ensure governance included strengthening of the audit and risk management abilities. The bank has further listed itself on the NYSE as a means to force greater self-discipline. [145],

Enron chose to address several markets through focused strategies in a large range of industries. This was an innovative strategy and helped Enron become a very well respected global organisation. However, subsequent events have shown us the importance of good governance. The complexity of the situation is further increased by the need to understand the laws of several countries and the implications of relevant activities in every one of them. [146]

This focus on mindful governance becomes all the more important for the Indian company going global, as it needs to keep an eye on the events that might trigger off a risk in any part of the world, where it operates. The recent case of Satyam Computers has highlighted in large measure the need for strong governance as organisations grow large and pressure from shareholders increases. The far-reaching consequences of a lapse in this area, particularly in industries that are operating globally, are just beginning to show.

Whether at the level of the board and corporate governance, or at a functional level in day-to-day operations, key elements that are essential for effective governance are commitment to integrity, good and open communication and the ability to include and accept several different points of view.

3.11.4.5 Renewal

Hamel and Valikangas [70] have dealt extensively with the concept of organisational renewal as an important element of building resilience. They state that there are typically three models followed by organisations to deal with the changes they are faced with. Revolution is about creative destruction. Renewal calls for creative reconstruction. Resilience calls for continuous reconstruction. As was mentioned earlier, current organisational strategy can become irrelevant. This could happen as the strategy decays due to its being replicated by its competitors, its being supplanted by something that is better, exhausted due to market saturation, or eviscerated as new models or disruptive technologies invade the space the company is in. [70]

A resilient organisation is able to foresee the decay of its strategy and therefore, make the necessary course corrections. In today's world, it is important for Indian companies to understand the changes taking place esp in the context of global competition and markets, and bring the elements of constant renewal into their strategies. We observe that given the backdrop of the competitive situation that global organisations face today, the focus is to be as much on the ability of the organisation to renew constantly, as it is on building operational efficiency. In their paper, the authors have studied Infosys Technologies to understand how companies can transform themselves even as they continue to perform on a day-to-day basis. [147] They conclude that learning and "learnability" are central to building resilience in an organisation. The Infosys strategy revolves around four pillars - people, technology, process and purpose. As Infosys became a more global company, it became necessary to involve a much larger cross-section of employees, who could contribute to building the organisation and transforming it to move up the value chain and take advantage of global scale. At the same time, senior management also realised that sharing information and accountability across the organisation was critical to building resilience. In this context, the Infosys model of governance has built-in checks that would reconcile growth with predictability, sustainability, profitability and de-risking.

3.11.4.6 Limitations to building resilience

While in theory it is possible to build resilient organisations, and we have seen several examples of the experiences in doing so, there are some factors that serve to limit the flexibility and adaptability that organisations can build. Past studies have shown that many companies are able to manage short-term bursts of high-performance, whereas they find it difficult to sustain high-performance in the long run. The reason, says the author, is that the ability to execute well results in creating barriers to adaptability. In order to overcome these barriers, the social architecture would need to be redesigned (which includes individual behaviour structure, as well as culture of the organisation). [139]

As complexity increases for a variety of reasons, systems can potentially enter a "gridlock" and make change impossible. Similarly, mental models can become firmly ingrained, and stop people from being able to adapt to new ways of working. As plans and resources evolve in parallel, it results in several complexities in the organisation structure and could again limit the innovative capability in the company. [139] Simultaneous change on several dimensions of the business can result in severe constraints being put on growth and the capacity to change. In the redesigned organisation, new norms, must be established, that will encourage and support the new behaviour expected of its employees. Beinhocker recommends that the social fabric of the organisation must follow norms that encourage cooperation, performance and innovation.

In studying the building of resilience in organisations, it would seem that many characteristics and actions of resilient organisations are very similar to the way in which organisations deal with disruptive change. In his paper, Murphy concludes that global governance is likely to remain inefficient, pro-active, incapable of balancing power between rich and poor countries, and insensitive to the needs of the rural poor. [48]

Further details and examples of resilience may found in Annexure D: Resilience in Action.

3.11.4.7 Resilience and its implications for Indian companies competing globally

Renewal is absolutely essential and in a sense is the single most important characteristic of organisations of the future. While efficiency allows organisations to produce and deliver products and services for the present, renewal is equally important, and organisations must invest in it and be as good at it as they are at efficiency. One of the key elements of renewal is the ability of organisations to innovate on a continual basis.

Risks can be decreased and personal assets increased, if there is better access to knowledge, skills and abilities, coupled with a strong social network. [115] Understanding that it is the people who create a resilient organisation, it is important to place special emphasis on constant learning of employees and help them become highly adaptable. The other elements, including technology, processes and the organisation, must be equally flexible in order to support the overall ability of the organisation to change as required. In order to make all of this work and yield results, it is obvious that information and the manner in which information is shared are extremely critical to building a strong, resilient organisation. The researcher recommends that a compelling vision of the future, together with frequent reminders can guard the organisation against becoming complacent. This is an extremely important basic requirement to start building resilience.

When we consider the characteristics of resilient organisations, we have to look at both the kind of leadership that is required in handling a crisis as well as that required to build the capabilities that would hold the organisation in good stead in the long run. In both cases, the ability to solve problems quickly with the available resources and information, as well as the ability to learn rapidly are important. At the same time, these skills should not be limited to any single level of the organisation or team but should be widely prevalent. Higher levels of accountability, risk-taking and decision-making at the front line must be encouraged. Obviously, this will imply adequate training and backup processes. Self organising systems, diversity, modularity are all constructs that organisations would find very useful, while designing for robustness. [116] The development of strategy takes place as a systematic planning process, but also provides the basis for emergent learning. The new learning provides input to the process of developing strategy. [134] Similarly, building a resilient organisation is not a one-time exercise, but rather, an on-going process.

There appear to be no studies of emerging Indian multinationals' approach to building resilience for global markets. Would Indian global organisations consider this aspect important at all? How would they create resilience?

3.11.5 INTEGRATION

Lasting leadership is only possible if an organisation can have lasting impact on the societies and communities that it serves. It is only by focusing on the aspect of integration, that firms can create sustainable business practices.

3.11.5.1 Sustainable business models

It is not enough that a strategy be successful in helping achieve leadership at a point in time. It must be capable of delivering results consistently, time after time. This means that in addition to reviewing progress constantly, the organisation must also revisit its strategy from time to time. It may need to destroy existing models of business, or even makes its existing competitive advantage obsolete. [77]

3.11.5.2 Sustainable development

It is only when the entire ecosystem, consisting of citizens, government and commercial enterprise achieves an equilibrium, which results in fewer disparities, whether educational, financial or emotional, that true sustainability is possible. The "discontents" of globalization therefore advocate that companies take care to ensure balanced growth in various markets so that the imbalances do not increase further [48]. The Brundtland report from the United Nations defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs"[3].

Ellis says, "Our economic systems have been wound up to such high efficiency that they are even more susceptible to small shocks." [13] He also goes on to say that the world cannot afford further disparity in 'a fragile world'. He has identified what he calls the five pillars for sustainable development - Infrastructure, Policy, Education and training, Local relevance and Entrepreneurship. Apart from the human aspects mentioned above, the environment and natural resources must also be taken into account. Economic progress at the cost of depletion of resources cannot last long. Not only that, given the tightly integrated nature of today's world, such depletion can have catastrophic effects across several parts of the world.

3.11.5.3 Market specific strategies

Just as we saw that it is critical to understand the very different needs of customers in various markets, it is also important to know the nature of competition and the manner in which customers would apply to products or services to meet their needs. Apart from innovations in offerings by companies, it is innovative use of these that often results in disruptions or new business models, as well as higher profitability, or market share. Khanna, et al recommend in their paper that western multinationals that want to successfully compete in

[3] From Wikipedia

emerging markets need to increase their presence, to enable them to understand the different manner in which innovations take place in these markets as against the markets they are used to operating in. [39] In like manner, for companies from emerging economies also, the same tenet would apply.

3.11.5.4 Local sensitivities

In the developed countries, the institutional framework, including legal, financial and other support systems that enable business operations are stable and have processes that have evolved over a longer period. Businesses that have grown in such environments have been designed to take into account this support framework. In many of the emerging market economies, the institutions are still in transition, and learning to cope with the new realities of today's world. Participating companies therefore need to be cognizant of this fundamental difference and find new ways of operating that focus less on the institutions and more on taking advantage of the strengths of each specific country.

Ronkainen studied four multinational firms and their product development processes and concluded that if a company wants to design and build its products for the global market, it must incorporate elements of this global aspiration into its product development process from the start. [148] This would set the following objectives for the product development process:

- Each new product would address global usage but also address local requirements of each of the relevant markets
- While taking key decisions, due consideration should be given to issues that are related to each of the geographical regions, where the products would be relevant
- Each new product should be developed such that it can be introduced concurrently in all markets

3.11.5.5 Integration into local society

Joseph Stiglitz and other critics of the western dominated mode of globalisation have opined that mere economic progress alone is incapable of driving all-round equitable and sustainable growth. [12] Therefore, there is a dominant opinion that global corporations must display good corporate citizenship in all the major markets that they operate in. [13] We see that most multinational corporations today have a range of projects under their corporate social responsibility banner. They may range from literacy programmes to supporting disabled persons to nurturing businesses. However, such programmes have to be run, not just in the home country of the multinational but also in the countries that it operates in. Examples of this can be observed in the actions taken by multinational companies such as IBM, Cisco, Pepsico, Goldman Sachs, the Tata Group and Essel Propack. Further, as we saw earlier, unless there is a strong cooperation between business government and civil society, no sustainable development programme can meet its goals. [13] Perhaps, there is also a requirement that international cooperation programmes such as the WTO must be modified to permit the less privileged to benefit from the possible wide range of positive outcomes enabled by globalisation. [149] In an OECD study on South - South FDI, the issue of the developmental impact of such investment has been raised and consequently, questions related to corporate social responsibility. [150]

In the case of Indian multinationals, as they move into other markets, there are four lessons to be gleaned from the foregoing.

The first is that the company must understand each and every market and its customers - the preferences and needs and the way in which the company can serve them.

The second is that they must look at each market separately and take advantage of their core strengths with respect to each of those markets.

The third is to understand the institutional framework in selected markets in order to develop a strategy in line with this framework.

The fourth is that the organisation must appreciate issues around local sustainability and be mindful of them, while shaping its approach.

The aspect of integration as an important element of strategy is only just surfacing, even in developed economy companies. Do Indian companies consider this aspect important in their global context? What are they doing about it?

3.12 Conclusion

In this chapter, the elements of global strategy were described. The entry strategies of companies from the developed economies as well as emerging economies were discussed. Some key points are highlighted below.

The main reasons for companies to expand globally are

- the need to learn to compete effectively with global players, even in the local context
- build scale for sustainability
- to be able to understand the cultural factors that enable the company to become a leading player in that industry

The major challenges faced by the Indian company in competing globally 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
- Resources to compete
- Brand strength.

We saw different entry modes that companies typically follow, the timing of entry and various sources of advantage that they can use. Success in a global organisation also hinges on how well it is taking advantage of its global reach. Thus, apart from the usual financial and other parameters by which any organisation is measured, it is also necessary to guide the company, all its employees and partners with a common set of measures that include structure, management processes, people and culture.

The researcher suggests a framework for strategy formulation, for organisations from India as they expand globally. This framework is summarised below and forms the basis on which the research data was gathered and analysed.

Energy

- The company should be guided by a strong vision and leadership with conviction.
- It is important to focus on those markets and offerings that play to the core strengths of the organisation and build a strategy based on a deep understanding of each market.
- Recognizing the global nature of the workforce, customers and partners, the culture should encourage diversity and inclusion.
- Finally, innovation and innovativeness should be built into all aspects of the company's strategy and execution.

Capability

- Depending on the firm's strategy, it is important to establish a strong brand.
- The right people with adequate training and skills alone can help realise the vision, especially as operations are by nature geographically spread out. These teams need to work together to achieve the various objectives.
- The basic operating principles of the organisation must be defined to support the vision. In the global context, given the speed and agility required, organisations would need to build strong partnerships and participate in networks.
- Building trust, both within the organisation, and with the many alliances is absolutely critical.
- In going global, a mindset change is called for, and it is necessary to consciously prepare all the people concerned for the new realities and challenges.

Resilience

- Growth and innovation necessarily imply the need to take considered risks, typically in environments that are unknown to the organisation.
- Systems are required to become cognizant of relevant issues in many parts of the world and to deal with them. Information availability and dissemination is perhaps the most important requirement to allow this to happen.
- The organisation structure should recognize differences in culture and institutional support available.
- Creating a learning environment is important, as is an organisation structure and processes that support delegation and decision-making at the front line in multiple markets.
- Strong governance mechanisms at multiple levels have to be put in place, with a clear understanding of legal, socio-cultural, political and ethical issues in each of the markets.
- It is not sufficient to be mindful of risks and manage them - resilience calls for an ability to predict events and build a possible line of defence beforehand.
- The organisation has to periodically revisit the strategy and direction such that it can change course, as required, and put in place support structures and processes for this to happen.
- Management should become capable of managing extremely dynamic situations, including the multicultural issues that the organisation is now exposed to.
- Finally, resilience calls for periodic renewal of the organisation.

Integration

- Since there is no single approach to addressing global markets (as each is different in some way), the firm has to make an attempt to integrate into every market that it is operating in.

- It is important to get a clear understanding of customers and make appropriate changes to its product and service offerings, such that they deliver value to the customers.
- Sustainable models require a holistic view and addressing all aspects of development, including economic, social and environmental aspects, specific to the society that is affected in any way.
- Sensitivity to local issues is extremely important and the organisation should build its response to them into its strategy.

By no means is each set of factors independent – there are inter-relationships and linkages between all of them. They have to be looked at holistically and not in isolation. Further, while designing organisation structures and processes, these interdependencies must be kept in mind.

3.13 Research gaps

The literature cited here is based on and pertains mostly to organisations in the West. The applicability of these findings in Indian organisations in the context of their global ventures is not documented, however. Ramamurti, et al highlight gaps in international business theory, pointing out that current theory in international business still seeks answers to questions such as: the competitive advantages that EMNEs leverage in international markets, and the role of domestic environment; what route do EMNEs follow in going global; changes in the global competition as a result of the emergence of EMNEs. With this, they emphasise the importance of studying emerging country multinationals. [6]

From the literature review above, several gaps could be noted, which is summarised in the table below.

Table 1: Summary of Research Gaps

	Research Gap	Section number	Page
1	What kind of global strategy is right for mid-sized Indian companies? How do Indian companies approach global strategy? Manner in which Indian companies enter new international markets Approach to internationalisation What does an "effective global strategy" mean, for an Indian company? What kind of internationalisation strategies do the small Indian companies follow?	3.2 3.3.2 3.3.3 3.5.1 3.6.10 3.6.10	56 60 65 79 90 90
2	While each of the challenges discussed seems logical, are there any other challenges that Indian companies, especially mid-sized ones, face?	3.4.1.1	72
3	How are Indian companies creating competitive advantage? What kind of value can smaller Indian companies create in the global market?	3.3.2.2 3.3	63 57
4	Illustrations of medium-sized Indian companies succeeding globally Details of the strategies followed by Indian services companies Cross industry study of Indian companies in global context	3.3.3.5 3.3.3.7 3.8.1	67 70 96
5	How are Indian companies learning to cope in the face of increasing competition from China? How do Indian companies approach each aspect of global strategy? Are they the same or different from companies from the West? Is there any commonality between the generic strategies of companies from various developing countries and India or are they vastly different? Approach followed by globalising Indian companies as compared to	3.3.3.5 3.6 3.8.1 3.9	68 92 98 106

	Chinese companies		
6	Has confidence of smaller Indian multinationals has grown and in what way? How has this confidence helped them to become global? How do they address the issue of liability of origin? Learning curve that Indian companies go through as they operate globally How do global Indian companies create a global mindset?	3.8.2 3.7.1 3.6.10	100 92 90
7	How important do Indian CEOs consider international competitiveness to be? Do Indian CEOs consider a discussion on building barriers to competition in the international market as relevant? How do Indian companies shape their global strategy around their strengths? Which India country strengths do Indian companies consider important? Does lack of strong local institutional infrastructure give Indian companies an edge as they go into other countries, where institutional infrastructure is either stronger or weaker?	3.8.1 3.6.1 3.8.3 3.6.5 3.7.1	97 83 101 86 92
8	How India's innovative capability helps in global business. In what areas do they innovate, and how do they do so?	3.7.1 3.6.8 3.4.2	93 88 74
9	How do Indian companies think of their customers across the globe Are smaller Indian companies "writing new rules" or are they merely finding a good spot in the global market? Do Indian companies entering other countries necessarily use products and service built for India as the basic offerings? As Indian companies expand globally, how do they modify their offerings to suit global markets? Given the liability of origin issues that Indian products suffer from, in what ways, do they market their products in other countries?	3.7.2 3.8.4 3.6.6 3.6.7 3.6.4	95 102 87 87 85

10	Indian context of each element of the strategy framework Live examples of emerging Indian multinationals' strategy that result in the energy required for an organisation to compete successfully across the globe How do Indian companies build capability for the global market? The aspect of integration as an important element of strategy is only just surfacing, even in developed economy companies. Do Indian companies consider this aspect important in their global context? What are they doing about it?	3.11 3.11.2 3.11.3 3.11.5	110 118 136 167
11	Emerging Indian multinationals' approach to building resilience How do Indian firms address the need for resilience? In what areas do Indian companies take risks when they spread their wings globally?	3.11.4 3.4.2 3.3.3.6	163 76 68
12	What considerations do Indian companies have in terms of location? What specific approaches do Indian companies take to building and operating alliances? With the limited financial resources that most mid-sized Indian companies have access to, how are they able to compete against larger multinationals with many more resources? How do smaller Indian multinationals approach investment in technology? What sort of commitments do Indian companies make to the other countries they enter?	3.6.9 3.6.11 3.6.3 3.6.2 3.4.2	89 91 84 84 74

This research study aims to provide some inputs to address some of these gaps, by studying three emerging Indian multinational companies.

4 Chapter 4: Research methodology

4.1 Summary

In this chapter, the research methodology is described. The appropriateness of the case study method for this research is also described. The constraints of this study are enumerated. The basis on which the cases were selected is also described. Finally, the data collection process and data analysis procedures are also described.

4.2 Choice of research approach

As seen in Chapters 2 and 3, there is considerable literature on globalisation and the global enterprise. This enabled the researcher to understand the issues that are considered in shaping strategy, especially in the global context. There is, however, very little published literature on Indian companies, and hardly any on globalisation strategies of companies from emerging economies such as India. As India integrates more into the global economy, the need for literature, and studies describing the manner in which these companies expand globally, would become more relevant. This research study explores the strategies that are followed in the global context, and looks at their appropriateness. The intention of this research study is to explain how Indian companies participate in the global economy and in what way globalisation is important to them for their long-term advantage. The study explores a contemporary phenomenon. Given the set of issues to be addressed, the case study methodology was chosen for this research as being the most suitable. This choice is described more fully below.

4.3 The case study as a research approach

Qualitative study is best suited for clarifying concepts. It aids the identification of key features. In the course of learning more about the research subject, the investigator sharpens his or her understanding of the case by refining and elaborating images of the research subject and related issues. The images so created serve to structure the study. Smith [151] says that qualitative approaches such as the case study method may often be more appropriate to address important research problems in management. The case study approach may be followed to interpret culturally or historically significant phenomena, or to describe the commonalities that exist across a relatively small number of cases. “Some phenomena are significant, not because they are common, but because they are rare, unusual or extreme in some way” [152] p 26. In almost all social scientific representations of social life, the social researcher explains in detail his or her interpretation of the evidence used in the representation. Such situations are also best studied using the case study method [153] p 3. Typically, studies that focus on a small number of cases tend to examine many features of those cases, whereas quantitative studies would focus on fewer features of many cases.

Yin [154] p 13 defines the case study as “an empirical enquiry that

> investigates a contemporary phenomenon within its real-life context, especially when
> the boundaries between phenomenon and context are not clearly evident.”

The choice of a methodology depends on three conditions:

- The form of the research question
- Whether it requires the control of behavioural events
- Whether the research focuses on contemporary events

Various researchers have recommended that the case study method is appropriate in situations where the social unit is studied as a whole and where:

- the research question takes the form of a ‘how’ or ‘why’ question
- does not require control of behavioural events, and
- the research focuses on contemporary events.

Complex settings such as the one being studied, “cannot be reduced to single cause-effect relationships” [155] p 4, and therefore, would best be conducted using this approach. Further, exploratory studies that answer a ‘what’ question also merit the use of a case study strategy. Companies are part of an open system, consisting of an extensive ecosystem of suppliers, customers, collaborators and consumers. The study of the strategies of organisations, especially in the current context, requires a contemporary view, rather than a historical one. There are considerable changes in the environment on an ongoing basis, and this needs to be factored into any study of organisational strategy. Therefore, a research design that allows the researcher to study the evolution of strategy over time is appropriate. Marshall and Rossman say that of the various qualitative research strategies possible, the case study is appropriate while studying groups or organisations. [153] p 56

In the current research, the issues explored are:

- Why do these Indian companies need to participate in the global economy?
- What strategies do emerging Indian multinationals follow in order to participate in the global economy of today?
- How do these strategies enable them to participate better in the global market?

Applying the criteria for the appropriateness of the case study research, as mentioned above, to the current research:

- The questions raised above are, ‘how’ or ‘why’ questions, and the ‘what’ question is of an exploratory nature.
- There is no control over events, the environment or organisational processes, as the study considers various options within the realm of possibility, and strategies followed by the companies chosen.
- The events are indeed of a contemporary nature.

As Marshall and Rossman say, qualitative methods are also best suited to research on “little known phenomena or innovative systems” [153] p 53. The current study falls in this category. Therefore, the case study research methodology is the most appropriate for this research. In addition, Marschan-Piekkari and Welch and other contributors in their book on Qualitative Research Methods for International Business [156] highlight the importance of in-depth research, especially in the field of International Business, as opposed to quantitative studies.

In their paper on research in emerging economies, Pant et al [157] recommend that case studies are most suitable for management research in emerging economies. There is scepticism about the applicability of theories and methodologies evolved in mature developed economies, to studies in emerging economies, given that they have a very different context. Variance studies are most effective when there is an enabling institutional infrastructure in place. This is not the case in emerging economies. In addition, there are very few cases that are relevant to the study, given a very small population of global Indian companies to select from, as global participation is a recent phenomenon. The outcome of such a study might well give the impression that the specific phenomenon studied is reflected very differently in these few cases and thus may not be amenable to statistical significance. Further, social laws change over time, and replicability and reliability (two key requirements of a research methodology) in such a changing context, are less relevant than validity. Pant et al [157] p 4 say that “unlike variance studies, case studies, can potentially tackle the implications of changing relations between the variables of study, emergence of new variables during the course of the study, and are based upon the access negotiated by the researcher with the decision-makers in the firm rather than the enabling institutional infrastructure required for variance studies”. They further argue that the use of case study for research in emerging countries can provide “rich interpretations when phenomena and context are inextricably intertwined”. They believe this is the more valuable as there is a need to trace causal and historical processes, as well as understand the interrelationships between managerial, societal and institutional change. Finally, they say that “it may be opportune, therefore, to grant the case study method pride of place among research methods, *irrespective of the phase of research,* in the emerging economy context” [157] p 5. The case study produces "practical knowledge to inform practical action" [158] p 56. This is also corroborated by Marshall and Rossman as they describe the vividness and detail that case studies make possible [153] p 164. Given this background, the case study method was considered most appropriate for this study.

For the case study method, the recommendation is that theoretical development be carried out during the design phase of the study. This is also emphasised by Gill and Johnson [159]. The analytic frame so derived and used for the study is flexible; it serves as a guide for research, and will evolve as the research progresses. The study would also show which factors might be relevant in which context. The conceptual framework used in this research study was described in Chapter 3. This framework explains in broad terms, the issues to be examined, the key variables as well as the possible relationships between them. Case studies may be used to explain the possible causal link in real-life interventions which may be too complex for other strategies such as survey or experimental strategies. [154]. Sometimes, when the situation being studied has no defined, clear, single set of outcomes, the case study strategy may be used to explore it better. Globalisation is a phenomenon; the study describes the manner in which emerging Indian multinational companies expand globally. The context is that of Indian companies that are competing in global markets. The variables of interest are greater than the number of data points available. Since the area being examined in this research is of such a nature, the case study method would be the best fit.

4.4 <u>The Selection of the Cases</u>

Having decided on the methodology to be followed, the process of selection of cases appropriate to the research questions was begun. Case study research could use either one or multiple cases, as “single and multiple case studies are in reality but two variants of case study design” [154] p 14. It would be appropriate to select a single case for such a research study - for example, if the case were special in some way:

- when the theory guiding the case study is well established, this case could be used to confirm, challenge or extend the theory
- a unique or extreme case could provide information related to its unique characteristics
- the single case could provide observations and insight, which might not otherwise be available, making it a revelatory case.

Since the questions being answered did not entirely fit the above conditions, this research used a multiple case design. This design would enable the comparison of data across multiple cases, in order to derive common characteristics or themes and explain their link to a particular outcome. Yin and other authors have indicated that every case should be selected for a particular reason, and not randomly - unlike large statistical studies, where the targets may be selected randomly In order to mitigate any biases that might consciously arise in the course of defining these targets. Therefore, the criteria for selection were first defined, and are described in the following paragraphs.

Literature shows that there are significant differences between the global strategies adopted by companies of various types. Some of the factors that define choice of a strategy are - the industry, size, leadership position, geographical focus, product or service offerings, leadership vision, skill base, national or regional strengths, government focus and encouragement or incentives. The existence of such a number large number of variables also implies that there would be a wide variation in the approach the different companies take. As was mentioned before, while there is a lot of literature available on Western organisations, there is hardly any published research on Indian companies. For this research, there was a wide range of organisations to select from, as Indian companies have been increasing their participation in the global market in a big way in the last few years.

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. Some organisations that are relatively better known and documented, which are already global were not chosen for the study. The selection of the cases does not necessarily require representation of each aspect being studied, as stated by Smith [151], since the case could be descriptive or it could be that inferences may be drawn from outliers or extremes as well as from representative cases. VanWynsberghe and Khan explain that the research process and interaction between the case and the unit of analysis, guides the choice of what is to be studied. [155]

Prior to the selection of these cases, the researcher interviewed senior executives from several other companies , both Indian and international, that had been participating in the global market, in order to gain an appreciation of the issues involved and the manner in which various companies were addressing them. This provided an excellent base for the selection of the most appropriate cases for this study [153] p 57.

The following factors were taken into account while selecting the cases:

1. Size of the organisation: it was assumed that there would be some differences between the strategies followed by large organisations with well-entrenched culture and processes, and those followed by organisations that were still trying to compete globally. For the purpose of

this research, it was decided to focus on mid-sized organisations that are aspiring to become important global players.

2. Innovativeness: it was clear at the time of making the selection, that innovation is necessary for competing effectively in the marketplace. It may be argued that innovation is not new, and has for long been the basis for developing a competitive advantage. Moreover, in the past, Indian companies have tended to participate in global markets essentially by virtue of being able to provide low-cost products and solutions. However, the current focus on innovation across organisations and industries, covering all aspects of the organisation - such as product, process and management structures - implies that innovativeness is an important element for global competitiveness. Therefore, the companies selected, should preferably have a focus on innovativeness.
3. Industry: Globalisation has become a reality in several industries, particularly in the knowledge-based ones. The purpose of this research was to gain insight that spread across multiple industries. The choice of organisations studied therefore had to represent different kinds of industries. For this research, therefore, companies with varied types of business were chosen - fast moving consumer goods, services and industrial products.
4. Age of company: Younger organisations would have the advantage of less baggage from the past, whereas organisations that have been in existence for several years would have the advantage of having gained experience over a longer period of time. It is expected that the culture would be less entrenched in a younger organisation, allowing it to be more agile in the face of change. In the study, one of the companies was established in the 1950s, one in the 1980s , and a third in the late 1990s. This would allow a different kind of comparison to be made between these organisations.
5. Route to globalisation: the companies follow different routes. The cases should therefore be such that they have chosen different routes to

globalisation. This would make it possible to therefore compare and contrast these different options. While one of the companies was born global, one took a traditional path from domestic to export to globalisation and the third, starting as a company focused essentially on the Indian market, started to do contract manufacturing for international brands and then went on to establish itself as a global brand; in addition, it also brought global brands to the Indian market.

To begin with, a list of companies that were globalising was made. Of these, 15 were shortlisted based on the parameters mentioned above. These companies were approached and the request made to participate in the study, including assurance of confidentiality. Tentative responses were received from 7 companies. Preliminary discussions with were held with all of them, describing the research to be conducted and the information required. While assurances of participation were received from 6 companies, finally, fewer companies did provide information. Of these as the research progressed, only three companies participated fully, responding to multiple requests for information. For the purpose of this research, these three companies did provide the depth and range required for triangulation and comparison, and were therefore considered adequate. The companies chosen for the case studies represent as wide a set of characteristics as possible, based on the above criteria. All the companies are of medium size and are aspiring to become significant global players.

Table 2: Case Profiles

	Company A	Company B	Company C
Industry	Industrial	Services	Consumer
Size	Rs 500 cr	Rs 1280 cr	Rs 3000 cr
Global participation	Middle East, Europe, Africa, Asia	US, Europe	Asia, Africa
Age	45 yrs	10 yrs	20 yrs
Route to global	Domestic to Export	Born global	Domestic to Contract manufacturing

The selection of cases defines the limits to which the findings may be generalised. However, if the cases are chosen suitably, broad generalisations can be made on the basis of the characteristics used to select those cases.

4.5 The lateral view

The researcher discussed with and interviewed senior executives in the selected organisations several times in the course of the research. The first of these discussions was held in November 2006 and the last during March 2010. Apart from the meetings, secondary data sources were also scanned. The researcher found that each of these organisations has been able to make their global presence felt and that there was a considerable shift in attitude during this time. While in the initial stages, there seemed to be a certain hesitation to compete in the global market; as experience was gained, it was obvious that the level of confidence increased considerably, and this is reflected in the strategies adopted.

4.6 Brief profile of the Cases selected

4.6.1 Case one: Company A

The first case, which will be referred to as Company A, was established in 1958 as a company manufacturing electrical systems, focused on protection, control and energy conservation. In August, 1958, a young group of technocrats indigenously developed India`s first sheet steel enclosed rewirable switch in Punjab. This marked the birth of the group, which today has grown into a multi-product, multi-location company specializing in manufacturing and marketing a wide range of high-tech electrical products used for distribution, protection, control and conservation of electrical energy.

The group's annual turnover, which grew from Rs. 10 million in 1986, to Rs. 600 million in 2003, is slated to reach Rs. 4000 million by the year 2011. Its nine modern manufacturing units located in North India, are being further augmented to make it one of the largest producers of the next generation of MCBs, RCCBs, Compact Fluorescent lamps and other high technology, high quality electrical control and safety equipment in India. The company has 30 marketing offices across India, and eight warehouses. The total manpower strength is 3000. It sells and services through 15,000 retail outlets in India, and has 500 channel partners. It now has customers in 54 countries. The group's pursuit of excellence is backed by extensive in-house R&D, technical and commercial collaborations with world leaders.

Their self-engineered products are adopted by leading international brands into their brand portfolio, as a result of their careful development of product development and engineering skills. The engineering centre is equipped with the latest tools and technologies for product development, testing and evaluation. They were early adopters of value engineering and tools like Design for Manufacturing and Assembly. The company constantly re-engineers solutions for value optimization. They specialise in providing Products that measure up to global standards at nominal costs, using indigenous processes and materials. They also continuously optimize their processes to improve product integrity, speed to market and keep costs at minimum. The value chain begins with reliable, high performance vendors who are evaluated through sophisticated and rigorous procedures. A family run business, it was first publicly listed in January 2005. Majority shareholding is still with the family, with the rest being held by various individuals and institutional investors, including some global investors.

4.6.2 Case two: Company B

Company B is a global IT solutions company specializing in IT Services, Independent Testing, Infrastructure Management and Technical Support, Knowledge Services and Product Engineering, which comprises of R&D Services, Software Product Engineering and Next in Mobility. It partners with its clients to create transparent, value-based relationships. The company builds innovative solutions in a wide range of technology domains that enable their customers to succeed in their business goals. The company was started in 1999 by 10 industry professionals who came from various leading organisations in their industries, both Indian and international. Even at the time of incorporation, the vision was clearly about servicing global customers. The elements of the 'corporate DNA' are 'Imagination', 'Action', and 'Joy'. Apart from these being visually depicted in physical work areas, the strong belief system has now been ingrained into all employees. The reward systems are designed to reinforce the values that the company stands for as well as to encourage these elements of the corporate DNA.

The company was named among the Top 30 offshore service providers by the International Association of Outsourcing Professionals and Fortune Magazine. Widely known for its focus on human capital development, it has been consistently rated among the most admired employers by several industry surveys. It is also ranked as one of the best knowledge enterprises. In consonance with its value systems, it is the winner of the National Award for Excellence in Corporate Governance in India. The Company is publicly listed in India. They offer a wide range of services to their customers all over the world: IT Services, product engineering services, knowledge services, testing services, R&D Services and Software Product Engineering services. They have created intellectual property that they can offer to customers to incorporate into their market offerings. However, they have remained focused on a defined set of key technology areas in which they invest heavily in order to gain and maintain leadership.

Currently co-headquartered in the USA and India, Company B has three development centers in India and twenty one locations spread across Asia, Europe and the United States. The over 100 customers are spread across five continents and include several leading global organisations. The company boasts of 8100 employees. They have evolved a methodology for global delivery, which integrates the many teams that might be involved in the project, in a seamless manner. The company has been awarded several certifications and is the world's youngest company to be assessed at both CMMi and P-CMM. The company floated a public share offering in 2007 in order to fund their growth plans. Given the nature of their work, they have been impacted by the global recession, as well as the.com crisis of the early 2000s. However, by being flexible and selective, they have managed to overcome these crises. Recently, the company has expanded into key areas through strategic acquisitions. Starting from a revenue of USD 15 mn in 2000, it had a turnover of USD 100 mn in 2006, making it the fastest Indian IT company to achieve this target.. During 2009, they had revenue of Rs 1280 cr (USD 270 mn).

4.6.3 Case three: Company C

Company C is the organisation that brought about a paradigm shift in the Indian watch market when it introduced its futuristic quartz technology, complemented by international styling. With India's two most recognised and loved brands to its credit, this company is one of the world's largest integrated watch manufacturers. Today, the company enjoys a 60% market share in the organised watch market in India. The success story began in 1984 with a joint venture between one of India's largest industrial houses and the state government. The company has sold 100 million watches world over and manufactures 11 million watches every year. With a license for premium fashion watches of global brands, the company brought international brands into Indian market. Entering the largely fragmented Indian jewellery market with no known brands in 1995, Company C launched a jewellery brand that became one of India's most trusted and fastest growing jewellery brands. Later, they launched brands focused on the preferences of semi-urban and rural India. They also move up into the luxury segment with specialised offerings for the target customers. Thus, they have a presence in the entire range of jewellery.

With over 500 retail stores across a carpet area of 6,40,000 sq. ft, Company C has emerged as one of India's largest retail networks. The company has over 270 exclusive showrooms and 745 after-sales-service centres. It is also the largest jewellery retailer in India with nearly 150 boutiques and stores. The company has a different set of offerings for different segments such as rural, semiurban, urban and extra premium. The company's line of jewellery has performed exceedingly well and has set standards, in what could best be described as a largely unorganised and unscrupulous jewellery market. With a stringent focus on quality in all aspects, it soon established itself as a high quality product company. It has also created a special set of offerings for specific segments such as small towns and rural markets.

Recognising its core competency in manufacturing and precision engineering, it branched into precision engineering products and machine building. It also made its foray into eyewear. Precision engineering emerged as an extension of the company’s core competency in manufacturing ultrasmall components and assemblies. It now designs, and manufactures precision tools and electronic subassemblies. In addition, the company also carries out electronics manufacturing services for global customers.

Backed by 4,200 employees, two exclusive design studios for its fashion products, five manufacturing units, and the launch number of retail outlets, it continues to grow and sets new standards for innovation and quality. The brand value the company has worked to create is that of innovativeness and the best quality in each and every product or service line that it offers to the market. By virtue of its excellent brand value, it has been able to bring a number of international fashion brands to Indian market. Being part of one of India's oldest and most respected business houses, it lays a heavy emphasis on certain corporate values such as customer centricity, performance, teamwork, valuing employees, innovation excellence and corporate citizenship. In order to be able to realise it mission, it has felt the need to work closely with several component suppliers and manufacturers in India and abroad and has therefore a sourcing setup in Asia and Europe. It may be observed that each business area is very specialised. The company therefore has to have employees, expertise and collaborations that are appropriate, so that it is able to create bring to bear the best expertise that is suitable for each specific business. The company has repeatedly won awards for excellence in various areas. At the time of starting the study, the company was still largely India focused, though with international aspirations. Now, it is much more integrated into global markets-both international brands coming into India and Indian brands going into global markets.

4.7 **Data sources**

Most of the data was gathered through semi-structured interviews. In all cases, the Chief Executive of the organisation participated directly. Interviews with the Chief Executive form the basis for the conclusions drawn in this research. In addition to the Chief Executive, 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.

The interviews with chief executives formed the primary source of data, as, given the sensitive nature of the information sought, their knowledge and experience would be most appropriate. In fact, in most cases, such information would be available only with the CEO in a holistic manner, whereas other employees may only have partial access to strategic information or may not have the complete picture. Recognising that there are limitations to information acquired through interviews, such as interpretation bias and the interviewer's own cognitive limitations, to the extent possible, multiple perspectives were sought through additional interviews, and through study of various secondary sources of information. Most interviews were conducted in person. Some were conducted over telephone. Some inputs were also collected over e-mail. The main interviews conducted are listed in Table 3 in Annexure E.

Secondary sources were also scanned and used to gather relevant information. In some cases, supplemental information was provided by the organisations themselves. Where such information was made available, it was assumed to be more authentic as compared to other publicly available information sources.

In accordance with good practice, the interviews were scheduled in advance, specifying the topics to be discussed. Whilst a general interview guide was prepared for each of the interviews, as the interviews progressed, and various issues were raised, or clarified, some of the questions were reframed in a better manner so as to be able to uncover relevant information, or clarifications were sought as required. New questions also arose in the course of the interviews.

In each case, permission was sought from the organisation for inclusion in the study. All interviewees were assured that their identity, strategy and views would not be compromised in any way. The topic of the study is of a strategic nature and therefore, the researcher was privy to a lot of sensitive information. An undertaking was given to each of the organisations that all such sensitive information would be treated in confidence and that any specific reference to their organisation or themselves would be made only with their prior permission. This is accepted in the case study method [158] p 65. Further, there are also issues of being provided access (being allowed in, credentials of the researcher, as well as the intention of the study) and concerns about the amount of data that would be disclosed publicly [156] pp 291 – 300.

In order to ensure robustness of the conclusions, direct observation in the office environment as well as in the field and information gathered from secondary sources were used to verify that there were no major disconnects between the stated position and reality, to the extent possible. During the early stages of identifying the research issues and the cases, press reports and publicly available media reports were used extensively. Internet searches also provided relevant information. Such sources helped to provide background information and a high-level understanding of the trends, the competitive scenario, economic policy within which the companies operated and a comparison with other global players. Information about the selected cases and their industries, competitors and government policy relevant to these companies was also gathered. Public domain information such as mandatory disclosure documents, documents required to be published as per company law or government stipulations were studied. Some documents were provided by the company executives interviewed. This was supplemented by media reports, as well as publicly available information pertaining to the industry and points of view from the competitors.

4.8 Data analysis

As the research study progressed, it went through an iterative process, including data collection, analysis, scanning of relevant literature and identification of newer propositions. In the early part of the research and analysis, data related to various trends in globalisation and the participation of international companies in the Indian market, as well as that of Indian companies in global markets were studied. This data came from newspaper articles and magazines, as well as through conversations with executives in various organisations. An extensive survey of literature was conducted in order to understand the manner in which companies from various parts of the world had undertaken the global journey. Taken together, this literature survey and the various sources of information described earlier, form the basis for creating a preliminary framework, which was presented in Chapter 3. This allowed the researcher to conduct a few initial interviews in order to understand the nature of issues being faced by Indian organisations as they tried to participate in the global market.

With the inputs that were received, the cases were then selected. Since the data required for this study were of a strategic nature, and the involvement of the senior-most level of management was required, several of the initially selected cases were dropped, either because they were unable to provide the data required or because the initial stage of analysis did not yield the desired level of detail or because initial analysis showed that these companies were not as relevant to the study as was assumed.

Qualitative methods are holistic, “meaning that aspects of cases are viewed in the context of the whole case and the researchers often must triangulate information about a number of cases in order to make sense of one case”. [152] p 134. Case studies help to clarify or elaborate on one or more theoretical formulations. As the study progresses, further clarity emerges, related to both the phenomena under study and theoretical formulation. In this study too, while the framework formed a good basis for the initial discussions, it was considerably enriched by the inputs received from these interviews. The framework was then modified suitably, based on further survey of literature. Similarly, the initial interview protocols also underwent change in line with these new insights. Further modifications to the interview protocol had to be made in order to take into account the specific nature of the organisation, its challenges, and the industry that it belonged to.

Some of the questions that formed part of the interviews were - the motivations for these organisations to go global, the challenges they faced both within the domestic market as they faced international competition in the domestic market as well as when they went to other markets. Other discussions were designed to determine the degree to which global experiences, as reported in literature, applied to Indian organisations, the differences between the various cases, the lessons learnt from global forays by these organisations, as well as the manner in which competition has undergone change, both domestically and globally. The detailed protocol may be found in Annexure F. Since the study was conducted over a period of almost 4 years, it was also necessary to go back to these organisations and seek inputs from them on how they were progressing, from time to time.

The data gathered through the interviews was analysed manually, as most of it was of a qualitative nature. At the same time, various secondary sources of data were also scanned. The information gained from these other sources was used to verify or corroborate the evidence that emerged from the interviews. Site visits to the offices, factories, dealers and retail outlets also helped to gain further evidence, to build on the information available and to verify what had been reported or heard. Annual reports, press releases, information from websites were all sources of supplemental evidence and information.

The researcher followed the analytic generalization path, while analysing the data and evidence gathered. This was the most appropriate technique, as against a statistical generalisation, given that only three cases were studied. It must be recognised that as Butler says, as the enquiry proceeds, recording observations may also include interpretation. [160]. The process of analysis was complicated by the fact that both environmental and internal factors underwent considerable change as globalisation proceeded at a rapid pace throughout the world, during the course of the study. The impact of technology and technology-based tools such as social media tools has also resulted in organisations rethinking a number of their strategies. The rapid adoption of the Internet across the world has meant quickening of information flows, with the result that competition has become even more intense than in the past. During the course of the study, these changes were certainly experienced by the companies in the case studies. This also caused changes to the data that was being gathered.

Yin [154] also describes the manner in which case studies could be conducted and analysed, in order to arrive at broad generalisations based on case study evidence. By detailed description of the context and observations, it is possible to suggest predictions, thus enlarging the conclusions of the study. [155] . Further, as Gill and Johnson say, the generalisation beyond data using a 'creative leap' based on anecdotal evidence is valid in management research. [159]. The approach in presenting this research study is as Butler says, "to make observable that which is not immediately obvious to the audience". [160] p 931

In addition, the 2008 financial crisis that had global implications and lasted for more than a year, also presented unexpected challenges to these companies. While in the overall sense, the globalisation strategies continue to hold sway, the pace and direction of the process did undergo some change. However, having seen these organisations tide over some very difficult times, the researcher could also focus on some questions related to robustness and sustainability, that might otherwise not have been debated as deeply as they were, had the situation continued in growth mode.

4.9 Some limitations of this methodology

Although the choice of three cases allowed for triangulation, it may be argued that further research is required to positively verify the results presented in this study, in the context of several more organisations. The case research approach is dependent on the researcher's skills of interviewing, analysis and objectivity. [151]. Being aware of this limitation, this researcher sought to present both context (in Sections 2.11 and 4.6) and findings (in Sections 5.2 to 5.5) so that the reader may draw parallels with their own problems. Here, the case study "seeks to illuminate the readers' understanding of an issue." This helps the reader to relate the descriptions in the case with their own experience [158] p 54. This is all the more important, as 'phenomenon and context are inextricably intertwined' as Pant et al, [157] describe, as stated earlier in Section 4.3. In the final chapter, 'Conclusions and Implications', further areas of research are suggested, highlighting other specific questions that might be answered. Nevertheless, the researcher sought to find evidence of replication of the ideas presented in the framework.

4.10 Conclusion

In this chapter, the research methodology used was described, along with the reasons for the appropriateness of the case study methodology for the study. The choice of the cases and the reason for selecting them was also discussed.

5 Chapter 5: Globalisation strategies of Indian companies

5.1 Summary

In this chapter, the researcher presents the evidence collected from the cases studied, and analyses the link between the framework derived in Chapters 2 and 3 and the data gathered.

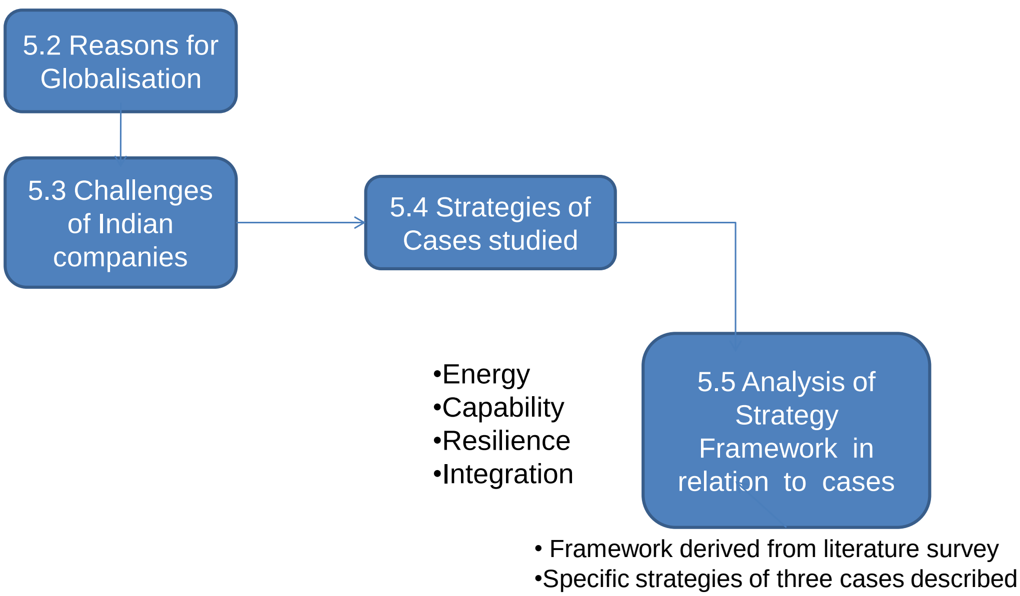

Figure 4: Flow of Chapter 5

5.2 Reasons for Globalisation

The reasons for going global vary from organisation to organisation. From both secondary research, as well as from interviews with the cases presented, the following four reasons have emerged:

- The Indian market does not provide sufficient opportunity for the business to grow. The Indian market is not growing fast enough to achieve the vision that the organisation has set for itself.
- For a niche player in a particular segment, India alone is not a large enough market at this stage. While it is likely that as the product or services are introduced, more adopters would emerge, these organisations feel that it is possible that the early lead that these companies might have gained might be lost as more global competition also emerges.
- Further, India alone does not present a market that is large enough for new technologies to be created at a price point that would make it attractive for larger scale adoption. Similarly, Suzlon realised the need of a global market, in order to recover costs. [161]. Several companies and individuals in India today are seeking to adopt global best practices, the latest technology and the latest ways of work. Consumers want the same kind of products that they see in other parts of the world. In such a situation, several Indian companies have created offerings that they feel would address these emerging market segments. However, in some areas, although there are early adopters of these offerings, the company feels that the market is not growing fast enough for them to make the investments required to make the technology or services robust enough for a long-term sustainable business model.
- It is important to learn to compete with global players. This is especially true of companies that have been in the Indian market for a few decades. As international competition comes into India, these companies feel threatened, as the market is eaten into by these multinational companies. They feel that it important to learn new ways in which they can create a differentiation or a barrier for entry so that they can protect their own market. “We feel this is best done by entering other markets in which these companies have operated for a certain length of time”, as the CEO

of Company A said. This is also echoed by the Tata Group "The global market is one marketplace". [161], p 44

5.3 Challenges faced by Indian companies as they go global

In the course of the research, the major challenges that were mentioned by the cases studied are described below.

5.3.1 Lack of acceptance in foreign markets

The Indian brand is not accepted in foreign markets. In most large foreign markets, especially in the developed economies, made in India products or services are essentially seen as being 'low-cost'. Therefore, in areas that require higher quality or functionality, the Indian products are not accepted to the same extent as established multinational brands, especially those from the developed economies. It is hard to build an Indian brand in the overseas market, as Suzlon found when they started their international foray. [162] Bharat Forge realized that they would have to invest a lot of time and energy on putting in place quality systems that would make their products internationally acceptable. [161], p 87

However, a parallel could be drawn between the journeys of companies from Japan, Korea etc. for they too faced a similar set of challenges when they began their investment in manufacturing several decades ago. Further, since the study was carried out over four years, the researcher had the opportunity to study the change in attitude and confidence levels over this time. It was observed that market acceptance of Indian brands has indeed undergone a substantial shift.

5.3.2 Persistence

Global presence requires a high degree of persistence and patience. To gain any reasonable level of operation, beyond the home market, all the leaders who were interviewed, were unanimously of the opinion that substantial investment and staying power are essential. This would mean the acceptance of the fact that they may come across several failures before they would understand the right strategy to be adopted.

5.3.3 Innovation

Without innovation, global competitiveness cannot be achieved. Depending on the industry and the type of organisation, innovation in the product, technology, processes, organisation, marketing, brand and service delivery are seen as areas of opportunity. Further, it is also observed that different areas of innovation have assumed higher priority at different points of time.

5.3.4 Innovative culture

An innovative culture is mandatory for organisations to create newer offerings to compete effectively in multiple markets. Most of the executives interviewed were of the opinion that innovation cannot be mandated. What leaders can do is to create an environment in which innovation can take place. In the global context, the Indian organisation is faced with substantial challenges on several dimensions that have to be tackled at the same time.

5.3.5 Empowerment

Organisations have to repose a very high level of trust in employees, especially those who are at the front line. This is often a challenge, especially when the employees are new to the organisation and its culture and values. Being remote also means that providing sufficient backup support is difficult. Further, it is difficult to monitor the actions and their results.

5.3.6 Remote, diverse work force

Diversity is seen to be very important in creating an innovative culture, and is also necessary in order to deal with, or meet the expectations of customers who are now far flung in different parts of the world. However, it is difficult to manage a remote workforce that is also diverse, with people from different nationalities and cultures. It seems to pose several difficulties, as the norms that were used to manage the workforce are no longer sufficient, and many changes are required in the way they are recruited, trained, developed, managed and retained. Further, geographical distance and time zone differences pose severe challenges in teambuilding and employee development.

5.3.7 Shared vision

Sharing a strong vision is hard for an organisation that is geographically and culturally dispersed. The leaders of the organisations studied are all typically very passionate about where they want to take their organisations. It is also observed that the senior management teams in these organisations have an immediate circle with the same level of commitment. However, the challenge seems to be, how they can create a shared vision across the company; further, it seems to be even harder to ensure a consonance of values.

Beyond all of this, though, there is the larger issue of globalisation needing a ‘leap of faith’. [161], p 43

5.3.8 Consistent delivery

As customers spread and compete globally, they expect consistent delivery of products and services across all locations in which they operate. Ensuring an integrated supply chain, delivering in each market and meeting the service level expectations in every one of them are essential and define the success of the company. In today's connected world, any issues such as nonperformance adequately publicised could spell disaster for the company if not properly attended to. The cost of any lapses could also be extremely high.

5.4 Strategies followed by the cases studied

In this section, the dominant entry strategies of the cases are described.

5.4.1 Niche strategies

The need for niche strategies is highlighted by Campbell and Hume, who observe that in most industries, shareholder value is created by just 5 to 10 percent of companies. This they term the ‘winner takes-all dynamic’. They say that it is not possible for a single firm to be a leader in all areas. Therefore, it is logical to say that there should be a defined area of focus, a niche in which the firm can be the winner [146]. This might seem a logical approach to pursue for globalising firms from India. Evidence of this strategy was seen in Company B, which does employ niche strategies in certain areas where it believes it can create a differentiation and can protect its position through creating assets that cannot be easily replicated.

5.4.2 Sub-contract entry strategy

In most cases, it seems that gaining credibility in the markets served is extremely important. Given the liability of origin issue, most organisations do not develop their own products or services to begin with. Typically, they gain acceptance through an OEM sub-contract route. Some companies do move on to create their own brands and new products or service offerings under these brands. This has been the case with Company A. they used the sub-contract route to gain exposure to other markets and understand the needs of the customers in them, following which, they were able to decide on the investments to be made in building new offerings.

5.4.3 Alliance strategy

As we saw in Section 3.3.3, one of the most obvious modes of entry is through alliances. Partnering with locally present organisations makes it easier to gain acceptance in the market, to gain understanding of the needs of customers in those specific countries and be able to navigate the specific government or regulatory requirements. Company C chose to use this mechanism to start their entry into global markets. This is discussed at greater detail in Section 5.5.2.7.

5.5 Analysis of the Proposed Strategy Framework in relation to the cases

In Chapter 2, we discussed the critical success factors that drive the strategies adopted by multinational companies. In Chapter 3, we saw the framework that could be used for strategy formulation. In the course of data gathering, through interviews and published information, the researcher identified the manner in which each of the cases chosen responded to or adopted each of the factors described in the framework. The findings are presented below.

Energy

Strategy element	Section
Vision	**5.5.1.1**
Focus	**5.5.1.2**
Leadership	**5.5.1.3**
Culture	**5.5.1.4**
Innovation	**5.5.1.5**
Investment	**5.5.1.6**

Capability

Strategy element	Section
Brand	**5.5.2.1**
Global mindset	**5.5.2.2**
Right talent	**5.5.2.3**
Prepare for global expansion	**5.5.2.4**
Trust	**5.5.2.5**
Ability to deliver	**5.5.2.6**
Collaboration	**5.5.2.7**

Integration

Strategy element	Section
Sustainable business	**5.5.4.1**
Sustainable development	**5.5.4.2**
Market specific strategies	**5.5.4.3**
Local sensitivities	**5.5.4.4**
Local society	**5.5.4.5**

Resilience

Strategy element	Section
Risk taking	**5.5.3.1**
Agility in decisions	**5.5.3.2**
Organisation	**5.5.3.3**
Governance	**5.5.3.4**
Renewal	**5.5.3.5**

Figure 5: Strategy Response for Globalisation of Indian Companies

5.5.1 Energy

5.5.1.1 Vision

As the leaders of Company A started to realise that the company had to undergo certain fundamental changes in the new global environment, they undertook an exercise of defining the meaning of ‘global’ to them. Their definition of their company as a global organisation is ‘being globally present in a spectrum of activities’. They do not believe that size is the determinant of a truly global organisation. This has meant that the market, which used to be largely focused within the country and therefore had a certain small number of segments, is now actually a multiple set of markets. In that scenario, they have defined for themselves, a unique position in the global order. However, they are very clear that, though they now operate in many different countries, the same values will continue to guide the organisation and the culture will be in line with these values as well as the vision. They believed that becoming a global organisation has “raised the bar” and enabled them to set new standards for what they should achieve and aspire to.

The founders of Company B defined their vision to represent three basic elements - ‘joy, action and imagination’. They believe that it is not enough to have a vision defined; much more important is that all employees share the vision and align with it. The leadership team has therefore put in place a process for creating a shared vision across the organisation. Soon after the organisation started to grow, they felt the need to reiterate the vision and its meaning for the new employees, who had joined the company. Internal and external factors do have a large impact on the way the values are understood and built into the culture of the organisation. The value systems define the way in which employees behave in a number of situations. Very often complex business situations call for trade-offs between these different values. In order that employees are empowered to do the right thing in a manner that is consistent with its values, clarity is very important. To this end, a process of articulation of the vision and its meaning was put in place, involving all levels. A crucial part of this conversation is the clarification of the core values. Several dialogues were held, in order to create a common understanding amongst all employees. The Chairman himself took part in these conversations. To this day, he himself conveys the meaning of the core values to every single new employee. This process was found to be particularly valuable for a young organisation that was being built from the ground up, with people coming from a varied set of backgrounds.

Company A similarly, believes very strongly in the need for setting a shared vision, and aligning the entire organisation to this shared vision. The directors believe that once the vision is shared senior management should simply “let go” and allow the rest of the organisation to do what is required to achieve that vision. This calls for a very high level of trust, and this aspect is discussed in detail later, in Section 5.5.2.5.

Company C, with its vision “to be a world-class, innovative and progressive organisation and to build India’s most desirable brands”, had to transform into a truly global company. While its own brands became more global, it also brought many global brands into India. Founded in 1984, it rapidly displaced the existing brands and became recognised for its modern and contemporary designs and well-engineered products. At that point of time, consumers had the option of the existing Indian brands or imported products. Later, recognising and building on brand respect and the need for a ‘dependable, trustworthy’ jewellery brand, the company also launched what is today one of the best recognised jewellery brands in the country. With its strong engineering and design capability, it was soon able to enter into other lifestyle products requiring precision engineering as well. In the meantime, the company had been contract manufacturer for other international brands. Realising that the products were world-class, Company C soon understood that in order to become internationally recognised, it needed to package its products better. With global presence and international acceptability, the organisation could drive higher value and profitability. It was in this context that they crafted a vision to become a globally recognised company.

5.5.1.2 Focus

All three organisations have clearly defined their focus. A few adjacent areas have offered themselves as good business opportunities to Company B. At such times, the company considers venturing into them, provided that they see synergy between these new areas and its defined focus. Sometimes, it has found that these adjacent areas help build strong relationships with the customers and help it provide more value to them. While choosing the few areas in which it shall operate, the focus and vision that it has set for itself have helped it prioritise amongst the various options and decide on investments to be made. Instead of spreading itself thin, and trying to address several markets, the organisation decided to choose a few industry verticals in which to focus its efforts. In these vertical areas, it hired specialists and people with relevant experience, realising that for a knowledge organisation, most value to their customers would be derived from the expertise that they have in those selected areas. Senior managers described the creative tension that arose as a result of trying to balance short-term goals such as quarterly revenue targets, with longer term outcomes. The company has evolved a portfolio of offerings. A portfolio approach helps it to identify several areas of operation, some of which yield returns in the short term, while others require a persistent focus and work over several years (some areas have taken up to five to seven years of effort to become viable).

In the case of Company A, several similarities were observed. The company clearly focuses on those areas that it believes are its strengths. They have taken a long-term view, while assessing their strategy, but like Company B, they too have had to balance short-term profitability with long-term growth and stability. Considerable effort went into choosing the areas that they consider ‘core’. In these core areas, they have chosen to be the best in the world. When they benchmark themselves, they elect to do so against the best in the world, and not just within India. Given the current scenario where changes in the environment take place on a daily basis, a constant change in strategy is also called for. The most important transition that the company has had to go through in becoming globally competitive, was that from being inward looking, product focused, good at manufacturing and doing it efficiently, they had to make the change to becoming outward looking, much more international in their thinking, outcome driven and solution focused. With this, they see their role as being much more of an integrator than a product manufacturer.

Company C too focused on building upon its strengths. These strengths were identified as: engineering excellence, innovation and brand. In order to further strengthen these cornerstones of the company's growth, they took steps that would enable them to create a global leadership position. Reputed designers were brought on board. To take precision engineering to a deeper level, they undertook various challenging projects. Already a reputed brand, they continued to advertise and put in place marketing campaigns around these brand values. Such was their level of trust in their capabilities and quality, that they created consumer awareness programmes, allowed customers to test their products for quality in a very visible way at the retail outlets and provided the level of service that had hitherto known to be in the purview of only much smaller exclusive firms.

Further, in order to realise their vision of nurturing India's most desirable brands, and recognising the propensity in India's increasingly wealthy middle-class, as well as the importance placed by the high net worth individuals on possessing the best brands in the world, they then went on to bring a number of these brands into the country through various retail formats. This experience in working with these global brands enabled the company to gain valuable insights into building and managing world-class brands. This focus on brand building is particularly important as the key focus area for Company C, to support them in their dream.

5.5.1.3 Leadership

For the organisation to behave in a consistent fashion, leadership is seen to be very critical at Company A. Apart from being very careful that the right values are lived on a day-to-day basis by all leaders, they believe that it is leaders who build the culture of the organisation; new leaders emerge in this environment, and further continue to be instrumental in evolution of the culture. The culture in the case of this company therefore is considered to be very dynamic. Company C has been a professionally run organisation, right from its inception. Therefore, it has been largely inspired by the vision and drive of the CEO, supported by his senior leadership team. In Company B, the founding leadership team of ten people has continued to stay together and support one another. They learn from each other and communicate and in an open fashion, just as they want all of their employees to. They believe that their primary task is “to build passion and capacity".

Company A was largely a family run business. As a closely-knit unit, the top leaders are able to resolve a number of issues in a very short time, and maintain extremely strong relationships amongst themselves. They have been able to ensure consistent performance by setting realistic goals and ensuring transparency. The sense of ‘family’ was extended to all the employees in the early stages of the business. A more detailed discussion may be seen in the next section. The leadership style has emerged out of these factors. Empathy amongst themselves as well as with their employees has held them in good stead and engendered loyalty from their employees. However, with the challenges posed by the global market, they have redefined leadership as being equivalent to innovation. Out-of-the-box thinking is being encouraged. They feel that as the leadership team, they are able to innovate as well as respond to environmental changes in a very agile manner. But this thinking has now to be shared across the rest of the organisation also. We can easily see a parallel in the way larger multinationals view the importance of leadership: “Strong and conviction-laden leadership will continue to be essential for the success of Indian companies operating in overseas markets "say Karki, et al. [162] p 110

5.5.1.4 Culture

Company A and C had to go through several changes, as they transitioned from their traditional ways of working to become organisations with the ability to compete globally. Growth has called for hiring people from outside the organisation. Many of them, as we saw earlier, are from other cultures and nations. This posed many integration challenges. On the one hand, it is important to have a consistent single culture across the organisation. On the other hand, bringing in people from outside also offers an opportunity to make changes in the way the organisation thinks and works. In Company A, one other major change in building culture is that of empowering the front line to take a number of operational decisions, leaving senior managers free to take a more strategic role and higher-level decisions. The CEO said, "I would like to do less of management and be more strategic; therefore I have to let people manage the company. I know that then, they will not do things my way." But the most important priority while these changes are taking place is to make sure that the culture is still in line with the philosophy and values that the founders deemed to be most important. Values such as 'company with a heart', the employees being part of a larger family and diversity continue to remain constant and central to the way the organisation works. Some changes that globalisation has called for are making the environment more appropriate and enjoyable for a younger workforce, such as a hard-working environment, which is much more results focused. To drive this as a key value, an initiative was put in place in 2005. Providing an environment which allows people to make mistakes is also important, especially as innovation and innovativeness are becoming more critical.

The leaders recognise that culture starts at the top. At Company B, they believe that "leaders build a culture, which builds future leaders, who in turn, morph the culture and thus it keeps evolving”. They have become sensitive to the fact that it is not enough that they themselves behave in a certain way, it is equally important that every individual behave in a manner that is consistent with the established culture. One small example shared was the tone of interaction being as important as the words used to communicate an idea and therefore, being sensitive to the manner in which messages are communicated. A senior manager said, “The tone of interaction during the review process is as important as its outcome”. Rather than leave change to chance, the top management has been very cautious and has carefully identified what they believe is critical given their global growth, and has tried to help and guide the organisation to make the transition necessary.

Company B, being a company that was started in the late 1990s, and with the intention of serving a global market, to a large extent, perhaps, we would expect fewer cultural conflicts or tensions with respect to becoming a successful global entity. Amongst the core values, a few that stand out are described. When the organisation was first set up and was searching for a way to represent what it stood for, it reached out to tap into the underutilised potential of spastic children. The logo that the company uses was created by a spastic child. In the effort that was taken, what stood out was a loud statement about the commitment of the organisation to social causes. In fact, the company continues to support several social causes and encourages its employees to involve themselves with these causes. One other value that was articulated by the senior managers is that people are treated as individuals and not as “mere mechanical elements” in the organisation. Understanding that social structures lead to beliefs and that behaviour in consonance with these beliefs creates the culture of the organisation, a lot of emphasis has been placed on ensuring that the right structures are put in place. For example, being in a knowledge driven industry, it is extremely critical for the culture to be one of sharing knowledge. An open, questioning attitude is encouraged. Examples were shared, of employees who were rewarded for asking some very uncomfortable questions of leaders, but which served to "keep the organisation straight”. The symbols that reflect the culture are a very visible to any visitor to the office. The colours that have been chosen are representative of the DNA of the company - joy, action and imagination, are symbolized by the colours red, blue and yellow. A living symbol of the diversity that the company represents is the fact that in the lawn, soil from several parts the world have been put together. The way in which the office space is designed is to encourage learning and sharing, with spaces that bring people together formally and informally. Senior leaders described this as follows: “We like to create an environment that helps people think like kids and experience joy like kids. Therefore, we have created a colourful, dynamic environment. The layout promotes openness and sharing”. To bring dynamism into the way the organisation evolves, employees are encouraged to influence the company to change in positive ways, rather than conform to what they see as being the norm. Competitions that are held from time to time in the work environment itself represent and support this dynamic thinking. We observe a similarity with large companies such as Ispat; Ispat considered it important to have an energetic and dynamic team. [163] At Company B, a special learning lab has been designed for employees who come in from other organisations, where they can understand what the organisation is about and interact with colleagues, who help them integrate.

5.5.1.5 Innovation and innovativeness

As a relatively late entrant into several markets, Company B felt the need to define a new approach for impact. They describe this as “Innovation is value meeting ideas”. Innovation is thus a very basic element of fabric of the company. Creativity, diversity and collaboration became key drivers of this innovative environment. Several initiatives have been undertaken in order to foster these drivers. The first major initiative aimed at this was to generate ideas. A major focus was placed on capturing ideas in a systematic fashion. This concerted effort resulted in ideas being generated in many different areas, ranging from day-to-day transactional issues to strategic areas such as new products and ways of managing projects. In order to make sure that these ideas would not get lost, or remain mere ideas, an initiative called 'idea mentoring' was started. Senior leaders mentor and support employees who would like to take an idea through to realisation. The head of R&D said, "Once we put our ideas system in place and started to get many excellent ideas, we had to find nurturers, who would nurture the selected promising ideas to maturity. In order to prepare these nurturers for their new role, we had to teach them techniques and put in place a set of rules." Realising that ideas can grow into high impact business concepts, once multiple groups or people contribute to building it up, cross linkages are consciously created to enable cross-fertilisation and dialogue . In order to support all of this, the company invested in many collaboration tools.

An innovation framework was created, and the tools and methods to enable people to participate in the innovation effort have been put in place. Employees across the organisation undergo training in these tools and methods, thus ensuring uniformity of communication, and a common vocabulary. Ideas, once generated and approved, then become part of the whole organisation and all employees encouraged to participate in making the most of them. Techniques such as simulation have also been experimented with. Although people intrinsically want to share their ideas and thoughts, the leaders found that getting them to commit to share is extremely hard. They found it was impossible to drive or mandate sharing. Instead, they focused on creating the environment that would encourage them to do so. However, it is not easy to do so, and constant efforts have to be made to find many different ways of continuing to drive this culture. They found that open, two-way communication is one of the most important factors. Company B is one company that has already started and is using the concept of open innovation in a big way today, as part of their knowledge management initiatives. The company already has set up extended knowledge communities in which their employees as well as others in the field can participate. The company management believes firmly that knowledge is very important to the areas that they work in, and that for innovation, as well as for competitive advantage, the extended knowledge community is very critical. “Knowledge creation in our company is no longer focused on the individual, but on a network of individuals, which means that knowledge creation is a social phenomenon. We therefore make every effort to build physical social networks and support them through technology”, in the words of the Head of Knowledge Management.

Increasingly, in traditional industries as well, ‘distributed creation’ is going to become more and more important. This will enable companies to offer more customised solutions to customers, rather than selling products as has been the case in the past. In a globalised market, Indian companies are going to find that it is very important that they succeed in this aspect, and integrate it into their strategy. For example, Ranbaxy, highlighted the importance of research for globalising and this was part of their re-crafted vision. [163]

Company B has been moving up the value chain, and in the process, has realised that bundling services along with the products is one way in which they can add more value to customer, as well as realise better profitability. The services also allow the company to build closer relationships and thus, ensure a higher level of loyalty and close bonds with their customers. The CEO described the need to bring the entire organization to understand and value innovativeness as follows: “Innovation requires that we be a 360°, innovative organisation”. Larger Indian companies have also needed to make the shift to delivering higher value products and services. Indian pharmaceutical companies were also found to move into higher value-added products, [164] just as Asian Paints chose to change their approach from a ‘supply chain’ to a ‘value chain’. [165]

In the case of Company A’s global operations, most of the innovation is in branding and marketing. They feel that at this stage of their evolution, strong brand recognition is key, although backed up by strong delivery capability (discussed below). As we saw in the case of Company B, this organisation too is faced with challenges about how to institutionalise innovation. Said the CEO, "Sometimes I wish we had more radical innovation in our company. 14 years ago, we pioneered several game changing ideas in the Indian market. We would like to once again find ideas that would change the direction of the industry - this time globally." They are considering the tools and processes that are required to make that happen. The right reward system also needs to be put in place, together with the metrics that would drive behaviour. The company is also cognisant of the fact that too many systems and processes may cause straitjacketed behaviour; they therefore have to guard against stifling innovation as they make these changes to the organisation. Most important, they feel, is providing an environment in which there is space to make mistakes and a lack of fear. One of the leaders described their pioneering effort in the past, when they made mistakes and changed course. They believe that such efforts at renewal are required from time to time. This is also further discussed in Section 5.5.3.5 on Renewal. As a result of concerted effort over the last few years in driving innovativeness, they now see a lot of incremental innovation. But they require a lot more radical, out-of-the-box thinking, across all levels of the organisation and not just the top management. Their aspiration was summed up by the CEO, "We would like to be known for our innovative products. Innovation requires that we be innovative all round". Kumar, et al conclude from their case studies of large Indian multinationals that shifting from a mindset of a short-term business culture to innovativeness needs a large change to take place. [161] p 203. The cases here also expressed the same sentiment.

In the case of Company C, it had to make the transition from an engineering driven company to an innovation driven one. At present, there is no dearth of innovation and innovativeness. But a conscious journey was undertaken to make the switch possible. Alliances with well-known brands and designers were carefully built. There has been heavy dependence on advertising and marketing. A number of leading practices from the best in retail were brought in to the company. Learning from international brands and their practices across the world, the company then had to find ways in which these could be applied in India and the other markets in which they were operating.

Looked at from a different perspective, the innovativeness of companies from India and other emerging markets are likely to drive the markets of the future, by setting standards for environmental friendliness, cost and efficiency. Some examples that we saw in Section 3.7.1 have or could disrupt the market, not just in India, but also globally. [166] Thus, the thrust on innovation that we see in all three cases studied is likely to be more than a strategy for becoming competitive and likely to result in their assuming market leadership at some future point in time.

5.5.1.6 Investment

Competing with global leaders in most markets is both an opportunity to learn from, and a threat to the emerging Indian multinationals studied. The leaders have an ability to invest in research and development, market development, as well as organisational excellence, because of their deep pockets. All the three companies had to choose very carefully, the areas in which they would invest.

In the case of Company A, they were faced with a dilemma about whether or not to phase out some old product lines, so that they could manage a smaller portfolio of products. Eventually they were unable to phase them out, as the market insisted on continuing to buy them. This resulted in their having to develop and manage a very large number of products. The new investment therefore went into creating offerings for different applications, developing solutions for new market segments, developing customer specific solutions, and specialty products. More recently, they are creating services bundled along with or around products. Some markets are extremely price sensitive, and to address this, they have had to strip down some existing products and bring them down to an acceptable price level. Seeing the importance of developing new products, the organisation has even found some innovative ways to help them experiment with different types of technology, including partnerships with academic institutions. In the global market, credibility requires certification by certain global bodies. The company identified priority areas, and put the products and processes through certification. Thorough analyses of the market and business case for an investment also require substantial investment.

Company B believes that the investments made in creating an environment of innovativeness have yielded results and will continue to do so. Periodic measures, such as dipstick surveys, help the organisation to understand how it is doing on key metrics. Special efforts are made to incubate or showcase new technology or ideas. While balancing tactical business performance with strategic long-term investments, they have been faced with questions about the appropriateness of such investments. In early 2000, they decided to invest in creating intellectual property in a few selected areas of technology, assuming certain technology trends. However, the 'dotcom bubble burst' of 2001 changed several of those assumptions. In particular, they had to question the wisdom of continuing to invest in those areas. However, convinced of their decision, they continued to build on them, and have been able to realise returns, albeit several years later than expected. For an organisation from India, with several challenges from much larger competitors, both Indian and multinational, to make such an investment in creating intellectual property may be considered a very bold move. The other investments have been in developing methodologies, and providing the tools for employees that enable them to share knowledge, innovate collectively and communicate openly.

While the examples quoted in this section might seem obvious imperatives for any organisation in this industry, it is all the more important for the company as it spreads and builds strength in a global context. The issues of focus, culture, leadership and vision are all extremely important as employees of different nationalities, cultural backgrounds join and work together. Further, most of the customers, right from the inception of the company, are based in the United

States. Over time, European and other customers, including Indian ones, have chosen to work with this company. Therefore, building the foundation of the organisation in a way that caters to these very varied set of customers on a consistent basis, the leaders believe, is fundamental. The manner in which this company deals with each of these issues provides some insights into the priorities that drive the strategy of such knowledge-based firms that have been created to cater to the global market, even as they originate from an emerging economy.

Company C found itself investing heavily in understanding and connecting with the consumers in each market. “When we enter new markets, we spend a lot of time and expense on understanding each customer segment.” said the head of Marketing. The nature of their business requires feeling emotionally to each target consumer who comes from a different cultural background. Being able to relate to them requires substantial investment in building brand awareness and appeal, with local icons and channels. In many cases, special product design is also required.

The large Indian multinationals also invest in various aspects of operation, as exemplified by Bharat Forge when they invested in quality systems preparatory to beginning their global foray. [161]

5.5.2 Capability

5.5.2.1 Brand

Company B feels that the brand is extremely important, more so in the international market. They believe that it is important to create an aura around the product and the brand. To a large extent, the global strategy of the company focuses on how to increase and preserve brand value. Especially in multiple markets, this adds a lot of complexities, as strategies have to be evolved to enable being seen to be premium in every market. A clear identity was created around the core values and culture of the organisation. However, not much effort is evident in terms of building the brand, other than through delivering on commitments and building close relationships with customers.

Company A started its global journey by supplying products to OEM vendors. After gaining experience of the markets, they went on to sell products under their own brands. This is in line with the experience of Korean companies such as Samsung and LG and is explained in Chapter 3. The company has taken pains to ensure that quality is very high and several products are built with added value above the basic specification given by the customer. Most importantly, they work in a way that ensures consonance between the brand and values of the company. As a member of the Board said, “There should not be a gap between the brand’s promise and the culture and philosophy of the company ”.

For Company C, exposure to the global markets began when they started to export their products to some countries, especially those with a large Indian population. At the same time, they had been manufacturing products for prominent international brands. This experience enabled them to understand the parameters of success for a good global product. Gradually, they started to retail their products in multibrand stores in a few countries. All of this called for a major transition in thinking, to address the challenges of being a serious player in the international market. However, this was followed by a conscious effort in building a brand that would be globally recognised for itself, and not merely as a supplier of manufactured products to well-known international brands. “Unless we invest in advertising, we run the risk of being seen as a mass brand. We have used local celebrities, in order to allow consumers in those countries to relate with the brand.” according to the head of Marketing. The business head pointed out that “It is easier for brands to enter India, but hard for local brands from emerging countries to enter other markets”.

Large Indian companies too feel that ‘brand India is still a challenge’. [161] p 198 We note, for example, that respected companies like Infosys too had to contend with liability of origin issues. Infosys defined two types of services - 'value based' and 'cost plus' in order to create international brand equity as a competitor against large global services firms while also ensuring they could build on their regular business that helped them gain scale. [163]

5.5.2.2 Global mindset

The CEO of Company A described this key challenge thus: "Geographical boundaries will lose meaning completely in 50 years. The question we are confronted with is: how will youngsters in other countries take decisions, given their emotional bonding with their own country or environment?" As an established organisation operating very successfully in the Indian market for several decades, Company A had to undergo a considerable change in mindset as they expanded globally. When they began their global operation, they found themselves burdened with liability of origin issues. That was true, both of the company itself, as well as their customers in several parts of the world. Even currently, they do encounter prejudices and perceptions that consider products made in India to be of less than required quality. "Liability of origin will go away over time. The big brands are helping to change the perception of India in the global market. We're finding that multinational companies are shutting down their manufacturing operations elsewhere, and moving to India", said the CEO.

However, their own experience shows that confidence in being successful is "more a mindset issue than a real one. For a long time, we didn't realise how much we were valued. Now we are confident to engage in techno-commercial dialogues in the global market". They are very strongly of the opinion that a global mindset has definitely to be intrinsic to the organisation, and it is worth spending a considerable amount of effort in engendering the feeling and belief of being a global organisation within all levels of the company. The situation was summarized by the CEO as: "Global markets will throw new challenges at us every day. We need to have an intrinsically global mindset, in order to address these challenges". In fact, as they realised the importance of competing globally, the top management team had to go through a deep soul-searching exercise and reorient themselves to thinking differently. “We realised that top management also needs to change”. A few successes gave them the confidence that they could compete effectively. At the same time, they saw several Indian companies around them going through the same transition and developing a similar level of confidence. As Indian companies started to become a part of several global markets, and as multinationals started to come into India and offer their products here, Indian industry in general, gained a lot of confidence. ‘Made in India’ brands such as Infosys and Tata were becoming important global contenders, acknowledged by some of the most well-known and largest companies in their industries. They are rapidly being seen, not just as low-cost providers of manpower, but also value adding providers of several services. While training their employees, they take pains to explain that as part of a global organisation originating in India, they are "ambassadors for India”. This is similar to the realization by Mahindra and Mahindra that they needed to break away from the mindset shackles of the past. [161]

Company B, being an organisation that was created about 10 years ago, fully aware of and catering to the global market, it was not surprising to find that a lot of the transition that more traditional organisations have to go through, was not relevant in the case of Company B. There was initial trepidation around the fact that an Indian organisation (although created more as an US and India based one) was trying to compete in a global industry. The CEO said, “Our market is not yet ready for product development in India. They are more comfortable considering India as a coding location, which is easier to quantify and measure”.
It would seem that the liability of origin issue would be less apparent than in the case of other traditional organisations. However, the company did have to contend with the challenges of being an unknown brand as well as being seen as a low-cost provider of people, which was the predominant mindset of buyers in the West. Change is led from the top down in the case of Company B; the focus is on exploiting global capability. The organisation has benchmarked itself

against global brands such as Toyota. The intention has been to create world-class capabilities that would enable it to compete effectively.

5.5.2.3 Right talent

In Company B, certain core competencies were identified in order to support a set of global clients. Domain knowledge is seen as being extremely important and considerable effort is given to developing and upgrading skills. Knowing that the business problems that they have to solve are becoming increasingly complex and spread globally, collaboration is nurtured very carefully. Consistent delivery of solutions, both product and service, is absolutely essential for a relatively small company to make a mark globally. Innovative new methodologies have been created for managing projects, building relationships with customers, delivering higher value, and managing within lower budgets. Further, in order to move into a position of being an adviser and thus, "higher value", it was important to find ways to integrate delivery capability with knowledge management. Creativity and innovation are nurtured and the organisation tries to make them part of a conscious process, rather than leaving it to chance or part of an emergent process. This is the discussed in more detail in the earlier Section 5.5.1.5 on ‘Innovation and Innovativeness’.

Company A believes that local talent is extremely important for their business, as it involves a very strong understanding of local requirements, both regulatory and operating norms. Since their products are specialised, strong relationships with customers are critical, and typically, they find that employees in the local markets are able to build these relationships much better than someone flying in from India. Three important desired characteristics of their employees are flexibility, adaptability and strong ability to learn from different experiences. This is perhaps reflected in the observation that the ability of Indian companies to work cross-culturally is perhaps one of the sources of the strength of Indian multinational corporations. [167]

In Company C, as the head of Marketing put it, “Our belief is that design is a universal language (although the design grammar will change from country to country).” Therefore, it is possible to address the needs of the market with the right understanding and knowledge. The company has hired, where in-house skills did not exist, from outside the organisation and from other countries too. This is similar to large globalising companies such as Reliance, who consider it important to have world-class skills in order to be able to compete for the best in the world. [163]

Recent literature says that the global Indian knowledge worker is being seen as an important channel for Indian firms to gain managerial and technical expertise, both for local and global competitiveness. However, there are challenges in assimilating people from other nations, even Indians returning from other parts of the world. [124] pp 217 – 218, pp 224 – 230. In the three cases studied, the issue of finding the right talent for each function was a matter for serious action.

5.5.2.4 Prepare for global expansion

Company B saw the importance of learning to scale rapidly, as scale drives most competitors in their space. Given the strategy of creating a differentiated position for themselves, being at the high end of the market implies being a niche player. These two imperatives are partly conflicting - on the one hand, building scale for the general services market, and on the other, addressing much more focused, smaller markets. The latter offers an opportunity to create services that are not easily replicated. Coupled with the strategy of building scale, the company believes it would have a formidable position in the global market. The importance of scale was also reiterated by senior leaders in Company A. In this context, in Company B, the issues of talent, methodology and tools as well as innovation and values-based culture become central to the effort taken to prepare for global operations. However, not much conscious effort was observed specifically in this area, recognising it as preparation for globalisation. Rather, they seem to behave as a global company, since they are born-global. A senior leader said that

“Diversity has a huge impact on our success and is about the mind and way of thinking. In order to promote diversity, we encourage role changes and taking up different types of projects.”

Company A being essentially a family run organisation, had to first make a transition to becoming much more ‘professionally managed’. They hired consultants to help them think through the latest human resources practices and methods that would enable them to make this transition. At the same time, they also looked around for good professionals who would help them build the capability to address a set of international markets. Individual coaching of top and senior managers is now carried out. Several rounds of training are held on cultural sensitivities to equip their employees to deal with issues in other parts of the world. The objective setting and performance evaluation processes have been changed to drive the desired behaviour. The performance indicators now include both internal and external metrics, and both quantitative and qualitative ones. This enables them to keep track of how they are doing on areas such as responsiveness and relationships. At the same time, as we saw with Company B, a clarification process is under way here too. In preparing for global expansion, imbibing the latest technology is seen to be important at Company A. Therefore, a periodic refresh of technology and products is carried out. Visual symbolism being important, souvenirs from around the world are displayed in the offices, suggesting to the employees that they are part of a global organisation. While all the steps have been taken, the leaders still believe “we have a long way to go before we can consider ourselves truly global”. Company C has been taking a different path, venturing into new geographies and allowing the organisation to learn how to operate in them.

5.5.2.5 Trust

Given the geographically dispersed nature of customers and teams, perhaps the most important capability is that of decisions being taken at customer sites. Empowerment of front-line employees is very critical to this capability and a programme was put in place to drive it in Company A. The CEO mentioned that "Constant exploration should result in increased trust amongst the family and top management, as well as all employees". As the organisation grew larger, the owners of Company A realised the importance of changing their role to becoming more strategic and direction setting, apart from governance. This change in role implied the need for much stronger systems as well as considerably higher levels of transparency across the organisation. Together with this enabling factor, a much higher level of commitment and responsibility had to be carried by the operational teams. In order to drive all of this and create a trusting atmosphere, it became important to create "allegiance to action and not to an individual personality".

Some of the products delivered by Company B are of the nature that they are embedded into their customers' end products. In some cases, joint marketing is also undertaken. Given the nature of their work, complete trust between the customer and the company is very important. They practice transparency with their customers, even sharing operating models openly with them. As the relationships get deeper, they find themselves able to provide higher value advisory services and become a much more strategic partner to their customers.
One interesting observation by one of the managers was that size is very important; but there is a thin line between sufficient size to have scale and its becoming intimidating, resulting in the customer feeling uncomfortable. Therefore, they have to retain some of the characteristics of a relatively small service delivery organisation even as they scale globally. Customers demand security of information and assets. Like many other competitors in the same industry, this company too has placed a lot of emphasis on respecting confidentiality and protecting the assets of its customers. The importance of trust in managing cost and quality was also highlighted: "If there is more trust, more reuse takes place". The reuse of modules helps bring down the cost of software development.

Company C works extensively with local partners in each country and therefore, there is a considerable need to trust these partners. This is discussed in more detail in the section on Collaboration, Section 5.5.2.7. When we look at larger companies too, we see the same emphasis on trust, as in the case of Asian Paints. [164]

5.5.2.6 Ability to deliver

The literature studied did not place a high emphasis on ability to deliver as a critical success factor, perhaps as most of the research has been carried out around multinational organisations with considerable global experience. However, in the case of all three companies studied, this stood out as being an extremely critical capability, and the three organisations have placed a large amount of emphasis on making sure that they can deliver on the promises made. Perhaps, this might be the case with most companies from emerging economies.

Although it might seem obvious, there are differences between project delivery mechanisms that are focused on a single set of markets, and those catering to several different market segments and countries. Company B has evolved methods and tools that enable it to deliver right every time, meet its commitments and anticipate the needs of its customers in different industries and countries. One of the ways in which it is able to deliver value is by emphasising a higher level of reuse of its knowledge and knowledge assets. In many cases, in order to meet the specific needs of each individual customer, very different custom solutions have to be built from scratch. In order to deliver faster, a combination of packaged solutions and customised ones is often employed. Some of these methods have been evolved, and the necessary skills have been created in-house.

Recognising that all the skills required to deliver more complex projects cannot exist in-house, especially where quick turnaround is required, several alliances have been built. The researcher was told a story about a situation where this company delivered its promises, but the alliance partner was not able to. The end result was that the customer was unhappy and refused to pay for the work done. Learning from the situation, a special effort has been made to carefully manage all important alliances. Relationships are built at the top management level as well as at an operational level. An independent relationship manager is assigned to each partner. Further details about collaboration are described below.

The executive director of Company A described a four-year companywide change initiative put in place to prepare the organisation to deliver the promises made, especially in the global context. This initiative followed the realisation that while manufacturing did not pose a constraint, given the investment made by the company in plants and equipment, the supply chain and back-end did need to be modified to meet the flexibility required in meeting the needs of multiple markets. Given the importance of customer trust, the most obvious aspects are the ability to deliver promises and the value that the brand stands for. Allied with this is the way in which commitments are being made to customers. “We now often have ‘why do we do things this way’ meetings to get people to think differently” said the Executive Director. The operational excellence initiative they undertook focused on both how to make realistic commitments and plans, as well as all the processes required to deliver those commitments.

In the case of Company C too, considerable effort was made to create delivery capability that would match with the brand promise. As compared to the other two companies, since this is a consumer brand, delivery capability is a lot more challenging. The company has opened its own retail outlets and is working with leading retailers in other countries. Being much more visible has meant that the company has to manage a very complex supply chain. Forecast challenges are extremely complicated. They therefore have had to depend a lot on strong information systems. A major business process re-engineering effort was undertaken about ten years ago, followed by the implementation of a world-class enterprise wide application system. Information systems also support the brand experience at the stores, and in all interactions with the consumer. A periodic revisit of processes is undertaken, and the processes are tuned to perform better. There is also constant learning as the company enters new markets and with this, comes the need to adjust the backend as well. The head of International Business explained this “When we went out into many countries, we found that we had to learn a lot about visual merchandising, display, etc. as the retail industry is a lot more mature than here”.

Similarly, Infosys realised that they needed to build capability for management of large complex projects which would be a special requirement for global customer projects. [161],

5.5.2.7 Collaboration

All the organisations were categorical in recognising the importance of alliance partners, especially as they grow more global in nature and have to service customers in several parts of the world, with varied expectations. There was a lot of discussion with all the companies around aligning alliance partners with the company. The selection of suitable partners was also discussed. Some key issues are listed here.

- When the two organisations have complementary objectives, the relationship can work better as each feels comfortable that the other will not steal its intellectual property.
- It is important to define the value that each partner brings.
- Each of the alliance partners must commit adequate resources to meet their commitments to the partnership.
- In order for the teams from both organisations to work collaboratively as one large seamless team, the company makes efforts to evolve effective working methods and techniques.

Often, the two alliance partners have to work together not just amongst themselves, but also with the customer. The alliance partners might be local to the particular market where a customer belongs, or from anywhere in the world.

The companies had to understand the many cultural nuances and learn to deal with the many differences. They do not have a single uniform approach, but as expected, manage each relationship separately, the way they do relationships with customers.

Company A was seen to invest a considerable amount of time in building relationships with alliance partners as well as the customers. As mentioned earlier, with their changing role into becoming more an integrator than provider of products, close collaboration with customers is also primary. Company A clearly recognises that there is increasing participation in network rather than two-party alliances as was usually the case in the past. This calls for a very different mindset. In order to meet the increasingly complex demands of customers, the company seeks synergistic relationships. Alliances with well-known Western companies have been found to have a lot of scope for two-way synergy with this company providing market access, as well as low-cost products, while the multinationals provide the technology. They have also been working actively in developing new products and technologies, together with vendors and experts from industry and academia. Company C found itself collaborating heavily with partners in each of the local markets, as that was their primary route to building presence and brand in those countries. The importance of this was highlighted as "Alliances with local dealers and distributors have been extremely valuable, especially from the point of consumer understanding."

In Company B, some partnerships were put in place to gain specialised knowledge. They specified clear risk-reward scorecards in order to ensure that there would be no clash of interest at any time. Being in the knowledge services space, they also agreed 'not to poach' each others' employees, which gave them immense comfort in the relationship.

The importance of collaborative partnerships can also be observed with large Indian multinationals such as Wipro who set up a wide range of alliances in order to be able to offer the widest range of solutions to their customers. [163] Also, the ways in which the partnerships are managed are in line with the literature, as we saw in Section 3.11.3.6.

5.5.3 Resilience

5.5.3.1 Risk-Taking

The COO of Company B said, “leadership is about taking new paths”. This requires them to take many risks. From the ideas generated internally, only some are taken up for investments that allow them to take risks in the market. There are several levels of filtration to assess the ideas and decide which ones they should invest in for the long term. They realised that building size is important to allow them to take considered risks. In order to create the critical mass required, the company entered markets that are less risky and which have known outcomes. Another derisking strategy was to offer a larger range of services to the same set of clients. Typically, there are several other players in the same space and excellence in delivery is the main differentiator. We already saw in Section 5.5.2.6 that strong delivery capability is an area of focus for the organisation. The leaders also believe that they have learnt from their experience of risks taken. An example was described of a customer, who did not pay because their needs were not fully met on time due to delay by their business partner. This incident taught them the importance of setting expectations and defining them more clearly right at the beginning of a project.

Risk-taking has been in the DNA of Company A, as an entrepreneurial organisation. They have found that they are able to learn to compete relatively easily as they go into various other countries. Unconventional ideas and modes of working, allow them to respond to various situations easily. They have a process that allows them to scan the environment rapidly, identify the possibilities and associated risks, taking care that they can deliver. Gut feel and chance too play an extremely important role in their decision-making, as might be expected from entrepreneurs. A number of breakthroughs have been achieved and they attribute this to their risk-taking ability. “In difficult market situations, breakthrough performance has been based on gut feel and the ability to take risks. Analysis would not help in such situations”. This was the way the directors summed up their approach to making quick decisions in the new markets. The new areas have been driven mostly by the family. They would like to make sure that the same ability to take risks is also spread within the larger organisation. Their comfort with taking risks was also evident as they described, “In the past, we did experiment with diversifying into some very unconventional areas. Although we dropped them in order to stay focused on our core business, we did learn a lot from the experience”. This ability perhaps stems from the entrepreneurial nature of the family run business and is different from the more systematic approach of companies A and C.

Company C was already very successful in the domestic market and also as a supplier to other global brands. When it decided to move beyond its traditional charter in which it had proven itself to be immensely successful, the organisation took a huge risk. “Market transformation in many ways has been our signature; hence why not explore transformation in other countries?” said the head of Marketing. One of the managers said “We have been described in various global publications as the global company which happens to be based in India, so in some ways the world is our oyster!! Recognition on the world stage spurs our every action”. Bringing premium brands into India involved a large investment. Since they are focusing on several brands, each of them having different concerns and operating mechanisms, managing investments and responses for each of them has required substantial effort. However, the importance of spreading risks was highlighted thus “We recognise that a global mix rationalises our risk profile and enhances our base. More importantly, it provides a cover from the impact of competition from other categories of products. Political and economic instability in some markets in Asia are a risk for us. We are diversifying our portfolio in many markets to reduce the risks. We also ring-fence exposure at various stages and conduct mid-course corrections. Despite this, the macroeconomic scenario in some countries had created some circumstances for some of our ventures, where we have had to withdraw and rework our strategy".

This approach may be compared with that of larger Indian multinationals. At Tata Motors, the approach taken is that of "global de-risking". [161], p 171

5.5.3.2 Agility in decision-making

Recognising that adaptability is extremely important to create agility, especially given the many different markets both in terms of the geographical and industry segments that they operate in, Company B has mainly focused on equipping people with techniques that enable them to take good business decisions and providing them with appropriate tools. All employees are trained in a common set of techniques such as problem-solving methods. Software tools to help them in terms of documentation, as well as decision-making. These commonly used tools help all employees use a common vocabulary and consistent way of working, thus making it very easy to empower the frontline.

In the case of Company A, they feel that "nimbleness is essential, which means we should be able to articulate what our brand value is, what we stand for". Recognising that responsiveness is most important in their industry, they focused and invested heavily in information systems that provide the required information to their staff as and when they require it, in a form that is actionable. As entrepreneurs, through the entire time since their inception, they have been used to making quick decisions. Traditionally, at a senior level, it has always been easy for them to build consensus and act on it quickly because of the close family ties. Therefore the speed of implementation of ideas has been extremely high. They feel that their challenge is to take this agility into the way they innovate. They are also struggling, spreading this capability through the rest of the company. In the global context, they find themselves faced with several trade-offs between local and international challenges; their options have increased considerably, as have the possibilities, as they venture into each new area. Indian entrepreneurial ability has been acknowledged as one of the important reasons for the success of Indian companies globally. [162]

Multinational companies have to be run on robust processes, rather than informal ones and this is a shift that the Indian multinational must make. [161], [6] In Company C, they have depended on institutionalising the way they work in order that they can be consistent in taking decisions and actions in each country. "We use robust processes at the project inception stage itself, when we begin to explore a country". Similarly, Company A has also taken the same approach. "In many cases, we have institutionalised policies and processes that were earlier driven by decisions at the field level"; this gives them the ability to ensure consistent quality of service across different markets. The Head of Marketing at Company C describes their challenges and how they have to constantly rethink their strategy and approach: "With the Indian economy getting stronger and the dollar depreciating, margins get impacted. This too is an important consideration when we build our overall strategy".

5.5.3.3 Organisation

5.5.3.3.1 Organisational learning

We have already seen that in knowledge-intensive industries, constant learning is very important. In a global context, the sources that provide inputs from which the organisation and its people can learn are very many more. The researcher observed two ways in which learning is encouraged and promoted in Company B. On the one hand, the senior leaders openly communicate insights gained and lessons learnt throughout the organisation. On the other hand, by enabling a strong knowledge management system, employees at all levels are encouraged to participate actively in dialogue, and in building on each other's ideas. Distances in terms of time and geography as well as language and culture pose a challenge, compared to an environment in which the employees come from a more homogenous background and work in a single country. This company chose to bridge the gaps and create an environment for learning by using technology tools.

Both Companies A and B consider it important to teach their employees the tools for problem-solving. What is most important, however, is the way in which the employees are able to apply these tools to various situations. As they expand globally, and work in many different markets, they have to learn new ways of working and new ways of competing. The key to becoming a good learning organisation is that they should be able to bring back this learning from various other countries into their home base. Further, they seek ways of applying this knowledge to various situations in different parts of the globe. Finally, the ability to assimilate this learning and build it into their strategy is what they consider the most important aspect of learning. Employees are constantly encouraged to acquire a deep knowledge of the market that they operate in and their domain and technologies. In addition, as a global organisation, they are also encouraged to understand the specifics of each of the locations that they operate in. The CEO of Company A said that "We use storytelling as a method of creating a healthy atmosphere. We also use innovation newsletters, in order to tap into the many ideas of our employees". All of this creates an environment that makes employees learn constantly from one another and from the various market experiences. In Company B, senior managers realized that learning should be a competency that all employees are good at. The Head of Knowledge Management shared an interesting experiment. "We launched a programme called 'learning from unusual sources', after which we found an amazingly high quality of ideas emerging". This is in line with the discussion by Fan [97] who says that for emerging market multinationals, learning is very important to move to higher value positions. Helmhout [168] also says that learning reflects in the actions taken and this was apparent in the data from all three cases.

5.5.3.3.2 Organisation structure

All three companies emphasised the importance of a flat organisation structure as they spread globally. A "truly flat structure" has been created in Company B. In fact, one of the managers commented that it is not just the formal structure, is but also "flatness in behaviour" that decides the extent of flatness of an organisation. Some examples of interaction across levels were shared, showing that there is consonance between the structure and behaviour. In open meetings, the founders also reach out to employees irrespective of their level, to seek inputs and feedback on what is working and what is not, as well as to solve problems that the company is faced with. The CEO explained the importance of this: “Such a culture will also appeal to the young generation, who are entering the workforce”.

To a large extent, the organisation has been built and allowed to emerge in a manner that allows a certain amount of freedom for people to change the way things work. Self-organising mechanisms have evolved over time, and are nurtured further through communities. These communities allow people to discuss issues and find ways to solve problems. The Head of Knowledge Management in Company B said, “We believe that people are intrinsically motivated and will share openly. Therefore we consider it important to create channels that will direct or motivate sharing, including the removal of fear”. Social networking plays a large role in enabling effective use of these mechanisms. This is true of all the three organisations. Large Indian firms too have re-organised in preparation for global operation: Ranbaxy put in place cross-functional teams in order to manage their global operations and change their structure from a deeply hierarchical one. [163]

All three companies studied emphasised the importance of building sufficient size and scale to enable them to make the necessary investments in the tools and environment required to create locally relevant organisation structures.

5.5.3.3.3 Organising for global operation

As we saw before, in an organisation that is operating globally, nimbleness in decision-making and action is of the utmost importance. Apart from flatness that we saw in the previous paragraph, diversity is also seen to be essential. Ethnicity, gender and nationalities are three areas in which the Companies A and B have sought to consciously build diversity. They see that diversity is important not just for being able to deal with a wide range of customers, but also for a higher level of innovativeness, as well as to find new and better ways of delivery. In Company C, employees from different backgrounds and qualifications provide the catalyst for innovativeness.

Apart from the formal organisation structure, there are several roles played by people within the organisation. One of the models that is followed in Company B to recognise these informal roles, is that of Malcolm Gladwell in his book 'Tipping Point'. By understanding the specific strengths of individuals, the organisation is able to empower its front-line employees a lot more as they get together and work in informal teams, putting their special skills to work. This is similar to the three types of roles, described by Kanter in Section 3.8.3. The metrics are important as they drive the behaviour of employees. The formal evaluation process is taken very seriously. To ensure that people remain committed to the company, fairness in evaluation and reward become extremely important. Once again, it is the value system and culture that define the way in which evaluation systems are administered.

Company A recognises the importance of two-way open communication and consultation, to enable customer touch points to function well. Every effort is made to set clear objectives, so that delegation is easy and there is consistency in delivery and in the way the company interacts with customers and business partners. The CEO explained that "Radical innovation needs complete trust, and freedom from fear of failure. For this, we have to create a suitable environment and culture and communicate externally and internally". Flexibility is considered an important characteristic for global success. Employees are required to be able to take up a number of roles and meet the expectations of these different roles. To help them to learn such adaptability, job rotation and job role changes are encouraged and supported by the leaders.

In Company C, key managers spend considerable time in each market, so that they are able to understand the dynamics better and thus, put in place structures and ways of working that are in line with market requirements. They describe this as 'locally relevant organisational structures'. In a similar manner, Infosys setup proximity development centres so that they could be close to their customers. [163]

Ojha, in his paper 'Organising for the Global Market' [124] pp 146 – 151, says that global organisations can use business process outsourcing (BPO) to lower transaction and production costs both for manufacturing and services. For the latter, advances in information and communications technology (ICT) are particularly relevant. Such changes are resulting in changes in the organisation structures of multinational companies. Similarly, the migration of people across countries is also changing organisational dynamics, posing challenges of assimilation of knowledge. We have observed how constant changes in the organisation were necessitated in the 3 cases studied as well, both because of their internal decisions and in response to the external world.

5.5.3.4 Governance

One of the leaders of Company C mentioned the challenge that is posed by the need to balance openness and control. This becomes very relevant when we consider an organisation that has grown to become much more global in its outlook and operation. Openness and empowerment of people in different parts of the world is important from the point of view of agility; on the other hand, there has to be sufficient control to ensure that the organisation is pointing in the same direction and is working in accordance with a common set of objectives and rules. Governance mechanisms that enable this to happen are discussed below.

The values provide the most important driving force that glues the people together into a common purpose. “We have stuck to our core beliefs and we find our customers appreciating that”. This sentiment of the Chairman of Company A shows that being values-driven has held them in good stead in all their markets and in fact, has helped them present a consistent face to the market. It is the values that define the way in which decisions are taken as well as the behaviour, more so in the face of adversity. The financial crisis and earlier difficult circumstances have tested the strength of institutionalisation of these values. They also believe that the changes necessitated by the crisis have resulted in much increased strength in terms of processes, organisation and culture. In Company B, rather than allow real-life situations to test the organisation, the leaders prefer to test the values themselves periodically through the value clarification process described earlier in Section 5.5.1.1. Storytelling is often used as a method of helping the employees to understand what the values stand for. In traditional industries, the introduction of higher transparency and strict corporate governance has meant changing some established industry practices, as Company A realised. Most important, however, is the need to live up to the commitments made to customers. “The governance mechanism must review the extent to which this happens”. This is echoed by the Tata Group, where considerable emphasis is placed on governance, which includes vision, guidance and perspective. [161] p 165

5.5.3.5 Renewal

As a young organisation that got thrown into a crisis within a short time of its inception, Company B was forced to ask questions about itself, its purpose and direction. The downturn that they went through gave them an opportunity to find synergies between the different businesses that they were operating in and thus create a stronger organisation than before. To consciously build an ongoing renewal mechanism, the metrics are changed from time to time, allowing them to learn to adapt to different scenarios.

In the case of Company A, the Director said that “within our company, the international division has raised the bar for our internal operations as well, by asking questions such as ‘can we do this, because a customer wants it done this way?’” Several strategies have been put in place to ensure periodic renewal. People from the outside are hired, and they bring in new ideas with them. Employees are encouraged to ask questions, and not accept status quo, even though the organisation operates in a mature and reasonably ‘standard’ industry. We feel that renewal is important in order to guard themselves against mediocrity and complacency. While a desired outcome of renewal is a high degree of innovation, it is also important to put in place mechanisms that allow the company to sustain growth as markets mature or saturate. Many of the cultural change initiatives that we saw before have resulted in bringing about this important transformation. An outcome of this discussion is the importance of learning to manage change globally. An example was also described in Section 5.5.1.5, while explaining how mistakes resulted in direction-changing innovation.

In Company C, the knowledge that they have to work hard for success results in an on-going process of renewal. “When we entered new markets, not being a well-known brand, we had to find suitable differentiators”, said the Head of International Business. The head of Marketing explained that “The recession and financial crisis spurred us even further to hone our focus in select markets and extract the ‘best bang for every buck’.” In Company B, renewal is an on-going process of assimilation of people from many different cultures. This was explained by senior leaders as follows: “As we became a global company, and brought in people from different cultures, value clarification became very important for their assimilation. Once we were able to do this, we found internationalisation very easy”. The top management of Company A realized the importance of being able to constantly manage change within the organization and in response to changes in the environment. “Our ability to manage change must increase considerably. The top 30 executives now have individual coaches to help them understand new ways of working”. We find that the principles of change management seen in Section 3.11.3 and described in more detail in Annexure C, are applied in the change initiatives undertaken by the three cases studied.

5.5.4 Integration

5.5.4.1 Sustainable business model

Globally, consolidation is taking place in several industries, including those of the cases studied. For the organisation to therefore survive for the long run, sustainable business models are essential. Apart from building strategies in line with the vision and the value systems of the organisations, not much other specific action was very evident. Company A has been moving to professional management, for this very reason of long-term sustainability. At the same time, they believe that creating sufficient momentum is one way of ensuring that the business continues to move towards fulfilling its mission. We saw the importance of the role of government earlier and examples from other Asian countries such as China, Singapore and South Korea. This was echoed by one of the senior managers who mentioned the need for governmental support, “especially in the current tough global economic scenario”. Company B has established a portfolio of clients, projects and businesses, so that there are streams of revenue that will keep the company going even while they build new areas of focus and profitability, such as higher value services. This also allows the company to tide over uncertainty, since different businesses follow different growth/decline cycles. In addition, these businesses also provide differing opportunities for growth and profitability.

5.5.4.2 Sustainable development

While the organisations are in general agreement with the need to act in a specific manner that supports sustainable development, any concrete action at a strategic level seems to be related to the specific norms of the industry. Thus, Company A did mention that in some markets, operational norms or governmental regulations require all companies to conform to energy-saving practices. Sometimes, this does call for modifying their products suitably. For this, local partnerships are extremely helpful in understanding and executing properly.

5.5.4.3 Market specific strategies

Given that the brand value is different for different countries or different groups of customers, Company C spends considerable effort in evolving mechanisms to understand and meet these different needs. Specific target market segments often have tastes or needs that are considerably different. For example, the company found that women in Africa have preferences that are totally different as compared to those in Europe or Asia; this could however, be sensed only once they entered the market and were able to study women's tastes at close quarters. The supply chain, way of selling, channels used, are all very specific to each market. Similarly, advertising and brand ambassadors are chosen that instantly appeal to consumers in the local market. Even the display used at retail outlets is very different. Company A and C said that some nuances of culture, business practices, buying norms, running meetings and negotiating were all understood only after many attempts, in the process, making several mistakes. Company A now follows different distribution strategies in different countries. Considerable market research and research into the nuances mentioned above is carried out prior to or at the early stages of entry into new markets. The appropriate brand is selected, based on this research, and even the manner in which customers are approached is carefully defined. The company feels that it has to manage an ongoing tussle between growing globally and protecting its share of the domestic market, especially against the big established multinationals, who now vie for a part of the growing Indian market. Sometimes, they think that this tension could result in limiting growth. However, Company A's leaders are very clear that appropriate value propositions must be built: "Price competition is very short-term. Therefore, for us, innovation is about how to enhance brand value and business through different means. In most markets, price is not a reflection of real but perceived value". Investment in understanding local markets, legal framework, etc is extremely important, as can be seen from the experience of various other Indian companies too. [162]

5.5.4.4 Local sensitivities

Company A feels that being sensitive to local issues is a very important element of their strategy. They realise that there are very different sets of expectations, both in terms of the end deliverable, as well as cultural. Similarly, the acceptable price point is different in different countries or in different segments. As mentioned above, considerable research is done at the early stages itself. One example is that goods received as part of exchange offers by Company C are donated to local charities, or used to benefit local communities. Companies such as Essel Propack Ltd have also put in place CSR activities in the countries they operate in. [94] To help front-line staff deal with these sensitivities, the company generates management information reports suitable to each country or customer. This information may be used by the staff or could even be shared with customers or business partners in specific situations. The Head of Marketing in Company C said that "The political, environmental, legal and socio-economic indices of the country and its demographics determine our choices and are tailor-made for each country". A similar sentiment is also echoed by Mahindra and Mahindra, when they say that local customs and customer needs vary widely in different markets, [161] p 124

5.5.4.5 Integration into local society

There was some evidence of this aspect from Company A and Company C. Company A is clear that they "will customise offerings to serve local experience and needs". They therefore consider strategies to enable them to satisfy the brand value locally both in business to business (B2B) and business to consumer (B2C) situations. The CEO of Company C said “There is a need to create an emotional connection with the local population; but we will keep the character of our brand the same, uniformly across countries”. This was illustrated by Head of International Business who said that “some of campaigns were based on the same campaign that was run in India, but localized”. This was also evident in the way Company C executives immerse themselves in different markets to understand their nuances. “We found that in many countries, only a detailed survey over several months could show us unique opportunities and market gaps that our product line could address”.

Perhaps, we could expect this aspect of integration into local society to merit more attention as a strategic issue, as these organisations become truly global in nature and are much more entrenched in these other countries and societies over time. This would be consistent with global brands such as Coca-Cola, IBM, Cisco etc, which only now, after decades of operating in multiple countries, are beginning to feel the need to take action in this direction.

The table below summarises the findings discussed above.

Table 3: Comparison of Cases studied

	Company A	**Company B**	**Company C**
Energy			
Vision	Definition of ‘global’ Unique position defined Raised bar Shared vision	Shared vision and meaning Align with vision for global success	Redefined for global operations
Focus	Clear focus	Take advantage of	Clear focus

	Focus on strengths Balance short term profitability with long term growth and stability Benchmark with best in world Inward, product-focused to solution and outcome focused	adjacent areas Clear focus Portfolio approach Balance short term profitability with long term growth	Build on strengths International brands into India helps build world class brands
Leadership	Leadership = innovation Extend from top mgt to rest of organisation Demonstrate values: Family, empathy Enable consistent performance	Demonstrate values	Driven by vision and drive of CEO
Culture (changes for global)	Values same as before Trust People from outside requires new ways of working; integration challenge Empower frontline Specific programs for culture change	Consistent understanding of values & clarification Specific programs for culture change Symbols v important	Integration of people from different backgrounds
Innovation	Providing product + service / solution bundle requires a lot of change ; Incremental innovation is there now; need more radical innovation	Specific programs put in place : idea generation; participation by all Open innovation – systematised, institutionalised	Transition from engineering driven to innovation driven (change effort required) Alliances Benchmark and learn from other competitors
Investment	Create new products, solutions for new markets For price sensitive markets, strip down features	Key technologies Methodologies. Tools. Strong foundation should support addressing many more markets	Understanding and connecting with customers
Capability			
Brand	Moved from OEM to	No specific effort to	Brand building for

	own brands Deliver on promise Retain values	build brand	each market
Global mindset	Overcome liability of origin Transition from local to global Confidence required “Indian ambassadors”	Fear of global competition Less transition than traditional industries Liability of origin	No evidence
Right talent	Local talent Flexibility, adaptability, learning	Training and skill development Integrate knowledge management and delivery capability Creativity + innovation through processes	Understand subject well to address global needs
Preparation	Scale required Transition from family to professional management Cultural sensitivities Objective setting + evaluation processes Technology refresh Symbols of globalisation	Resolve dilemma of scale vs niche – Clarification process	No evidence
Trust	Changed role of top management to strategy and governance Promote transparency	Transparency with customers Joint development strategic partners Retain “small-size image”	Working with external partners
Ability to deliver	Change backend & supply chain to deliver Flexibility for multiple markets Operational excellence initiative	Tools & methods to deliver right; anticipate needs Reuse of knowledge assets Partners relationship management	Complex supply chain Strong BPR and information systems have helped
Collaboration	Alliances, to understand and operate locally Build strong relationships with partners &	Importance of alliances Build and manage relationships with partners & customers	Alliances to reach out to each country Build strong emotional bonds with customers

	customers Technology, low cost products Development of new technologies	Partners bring specific skill sets required to deliver commitments	
Resilience			
Risk taking	DNA – entrepreneurial by nature, want to spread throughout organisation	Critical mass needs combination of risky & less risky markets Learning from incidents to manage risks	Bring premium brands into India Each brand has own concerns; manage portfolio and investments which are highly risky
Agility	Trade-off between local and international challenges	Techniques to enable all employees to take good business decisions (all trained)	Robust processes
Organisation	Flat organisation structure Communities to discuss issues, solve problems Create necessary scale Diversity Two-way communication Change management	Learning organisation: tools as people become more international Flat organisation structure = flatness in thinking Self organising communities – social media used Empower frontline through informal roles Metrics based on values Diversity	Locally relevant organisation structures Scale
Governance	Clear objectives to make delegation easy Higher transparency, changing industry practices if required Values glue organisation	Storytelling and value clarification Balance openness and empowerment	Live up to customer commitments Balance openness and control
Renewal	Push to meet new customer requirements Hire from outside Job rotation, which	Question purpose Synergies between businesses Change metrics to learn to adapt	Constant renewal in each market Find differentiators in each new market Get better returns

	helps create adaptability Encourage questioning Executive coaching Sustain growth in mature markets	Assimilate people from different cultures	from investments
Integration			
Sustainable business model	Move to professional management Government support	Portfolio of clients, projects and businesses	Specific actions not evident
Sustainable development	Local partnerships to address local regulations or practices	Required – specific actions not evident	Required – special actions not evident
Market specific strategy	Government regulations-driven	No specific action noted	Specific strategies based on consumer needs / tastes
Local sensitivities	Different distribution strategy Market and culture research before entering market Brand for specific market	Specific actions not evident	Different display, local channels, advertising, language, and supply chain Product designed for market
Integration into local society	Price points Different expectations in different markets	Specific actions not evident	Understand local communities Build emotional connect

5.6 Conclusion

From the previous sections, the current study concludes the following, based on case studies of three emerging Indian multinationals.

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

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

In order to overcome these challenges, Indian companies 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

The framework evolved as a result of literature review was further enriched by data from the cases studied. A notable enhancement to the framework was the addition of "ability to deliver" as a dimension of “capability", which is seen as an extremely important aspect of strategy by all of the companies studied. The framework proposes four strategy levers:

- Energy: the capacity of acting or being active
- Capability: the facility or potential for an indicated use or deployment
- Resilience: the ability to recover from or adjust easily to misfortune or change
- Integration: the act, the process, or an instance of integrating

For each of these levers, several factors were identified and discussed in Chapter 3. In this chapter, details pertaining to how the companies studied, addressed each of these factors was also discussed in detail.

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
- Enthusing 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

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 when these companies took up their global expansion, 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.

6 Chapter 6: Conclusions and Implications

6.1 Summary

The purpose of this chapter is to provide a summary of the study and its conclusions. The first section presents an analysis of the strengths and limitations of different aspects of the study. In the next section, some of the key findings are described and the conclusions that may be drawn from them are discussed. Finally, some implications of the findings of the study are suggested, both for business and for research.

6.2 The Changing Global Environment

We saw in Chapter 2, that literature suggests the manner in which organisations decide on their global strategy. The main areas they are influenced by are:

The platform to compete from
Geographic and logical distance of new markets from existing ones
Mode and timing of entry
Risk appetite
The strengths to build on
Alliances

Typically, large organisations are able to venture into new markets, given their financial prowess, their ability to invest in research and development, a strong brand and the existence of global processes that may be optimised for best results. However, emerging Indian multinationals do not have many of these advantages. Yet, Indian companies are already competing with global players as they face global competition in the domestic market. At the same time, they are finding it increasingly important to be present globally as well, in order to compete effectively with the global competitors in their home market, as well as to find new avenues for growth, as the domestic market and demand for their offerings saturate or stagnate.

This study was undertaken in order to examine the strategies adopted by emerging multinational companies from India, as they venture into other countries beyond India. The focus of the study was on mid-sized organisations, rather than large established brands. The empirical work was carried out through case studies of three Indian companies belonging to three different industries- electrical components, software services and lifestyle retail. Before discussing conclusions from the study, some key aspects of the study are described.

Several large Indian companies already boast of a global footprint. The large IT services firms perhaps pioneered the new wave of globalisation in the 1990s. Their focus was largely on the American and European markets. During the course of the study, it was observed that many of them started to consider building a presence in other parts of the world, including India, where hitherto they had not played a very large role.

It was also noticed that large overseas acquisitions were made by several companies such as Tata Steel, Hindalco, Reliance Industries, Bharti, etc. The large IT companies also made overseas acquisitions, to enable them to deliver services more effectively. This trend was made possible, with the further opening up of the economy, and government support of FDI outflows. While the large Indian companies were seeking to build an international presence beyond India, international companies also were, at the same time, seeking to build a larger presence in India, as they saw India, China, Brazil, Russia and other emerging economies as their only opportunity for growth. In India, they sought to take advantage of the following factors:

- Large potential market, given the huge population base.
- The increasing middle-class
- Higher disposable income

These global companies came in with standards, offerings and experiences that were tested and validated in multiple markets. At the same time, global customers were beginning to expect the same level of service in all the countries that they operated in. With the increasing mobility of people across different countries, their expectations 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 increasing adoption of the social media has been changing the dynamics of several industries and markets, as well as customer behaviour. The prevalence of mobile phones has resulted in empowerment of the individual, including in segments that could not hitherto be reached.

Against the backdrop of all of these changes taking place, Indian companies seeking to find a place in the global market would necessarily have to craft strategies that take into account all of these environmental dynamics.

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. Until now, several industries that were seen as separate are now coming together or overlapping. Some examples are retail, financial services and telecommunications. Similarly, health care and retail or healthcare and telecommunications are 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 means that organisations can no longer think of themselves as isolated entities, or indeed even remain uninfluenced by events beyond their own countries or industries.

6.3 Challenges Faced by Emerging Indian Multinationals

It was observed that 'Made in India' was a distinct disadvantage, especially while dealing with customers in the more developed countries. In India too, as customers are being exposed to other markets, and products and services from these global companies are also becoming available easily in India, their expectations are rising considerably. In this context, it is observed that there is a tendency towards preferring a global brand over an Indian one. Such issues form part of the term 'liability of origin' and have been a large reason for companies from emerging markets not being able to succeed globally.

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.

Indian brands are not yet accepted as being high-quality, and therefore world-class. But during the course of the study, a perceptible shift was observed, with an increasing acceptance of Indian brands, at least in some areas, especially those in technical services. A few very large and significant innovations, such as Nano from Tata Motors, have been recognised globally as very significant innovations. Sectors such as health care, which are undergoing a huge transition at this point in time, are viewed both in terms of providing opportunities for growth as well as driving global innovation. Increasingly, India is being viewed as an innovation hub. Technical areas such as information technology, software and technical engineering are seen as distinct strengths of Indian companies and Indian people. However, establishing themselves in new markets, and other countries beyond the home market, will take a lot of financial investment, energy and time, in order to build presence. Further investments over a longer period of time would be required to sustain the presence established. Innovation is widely recognised as being critical to leadership in markets. There is a need, however, 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.

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. One of the critical success factors for global organisations is their ability to share knowledge, experience and operate common management processes across all these locations. It is clearly necessary to build sufficient scale, in order to make the investment required worthwhile and provide sufficient return on investment. 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.

6.4 Research Methodology

The case study method was selected for this research study. The theoretical framework developed was largely based on available literature, and this pertains mostly to organisations that have gone global, but based in the developed economies. Therefore, some changes had to be made to take into account the concerns and environmental variables relevant to Indian organisations. Three medium sized companies from different industries were chosen for the study, which had taken different routes to globalise. They are described as Companies A, B and C.

Given the transition that both Indian and global companies, as well as all economies are going through, it was expected that there would be some change in the thinking and understanding of organisations during the course of the study. For example, there was increasing concern for building a higher level of resilience, than had been the case in the past, when the economy was doing well. Since the companies chosen belong to different industries, there was also a time lag between the environmental issues and their relevance to each of these different industries. The extent of impact also differed greatly, although basic demand related challenges were relevant to all of them, including their ecosystem partners. This necessitated that different questions and discussions had to be brought in, than was originally envisaged. Further, people in these organisations were deeply involved in trying to understand the changes, their impact and the required responses. This is especially pertinent as the participants in the study were very senior leaders. Since such modifications became necessary during the study, the best way to understand the response was to speak to them as they developed their understanding and position. As the study progressed, it was found that this chosen method was indeed the most appropriate.

The general framework and parameters of success were identified, based on literature. They were verified in the course of the interviews and found to be relevant and important. The study did not, however, prioritise the different parameters and areas of focus. It is expected that some differences would exist between industries and organisations, especially at the next level of detail, and in the manner of implementation.

According to the initial design of the study, the researcher expected that there would be a large number of documents available. However, it was discovered that there seldom existed a single document or set of documents, which addressed all of the factors to be taken into account. Thus, it was mostly through interviews and discussions, that strategic issues, concerns and actions were discovered. These could then be validated with available documentation. In a few cases, site visits were carried out. The Internet, company websites and other documents, both of the chosen companies and their competitors, provided supplementary inputs. This flexibility was a strength of the approach taken. A few findings such as the change in confidence level, trust and culture related issues would not have come to light, were it not for the ability to change the direction of a conversation. Given these factors, the case method was relevant, most appropriate and a strength of the study.

6.5 A framework for globalisation strategy of Indian multinationals

As a result of the three 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:

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. There is a need to reinvent the organisation from time to time and invest in specific priority areas.

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. 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.

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 laws 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.

6.6 Analysis of the Study

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. However, the key levers of strategy remained the same as was seen in the framework. Some fundamentals such as the values of the organisation, as well as some elements of culture such as passion did remain constant. (Sections 5.5.1 and 5.5.2). This bears similarities with what has been stated by Ratan Tata [161]. The level of energy did change over time. Several bolder moves were noticed, especially as each of the companies gained in confidence. There was a definite shift in global mindset, with each company adopting a different stance with respect to the global situation. (Section 5.5.2.2) While all of them had a reasonably clear view of the fact that they had to compete globally, the details of their specific positions changed considerably.

One significant event which forced a change in strategy was the global financial crisis. As a result, every one of these organisations did rethink a number of elements of their strategy, as well as the manner in which they put them into practice. However, it was observed that even though the situation subsequently eased up, a number of measures put in place during the crisis were not rolled back. All the companies believe that the changes undertaken have resulted in stronger processes, culture and organisation. (Section 5.5.3.4) Similarly, a few common strategic themes were also observed and are described below.

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. (Sections 5.5.1.2 and 5.5.2.2)

Innovation became central to these organisations as they discovered that they could not gain or retain any leadership position, unless they could constantly innovate. The way in which they addressed innovativeness and their focus areas differed across these three cases. (Sections 5.5.1, 5.5.2, 5.5.3 and 5.5.4)

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. (Sections 5.5.4.3, 5.5.4.4 and 5.5.4.5) Although not much action has been taken by the cases 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 to protect the environment.

6.7 Differences between large and mid-sized organisations

In this study, the researcher deliberately chose to study mid-sized rather than large, already-global organisations. This was mainly because there is very little published work in relation to such kinds of organisations in India.

Large Indian organisations such as Infosys, Wipro, Tata Steel, etc had typically undertaken to serve international markets through a low-cost model that enabled them to win in the market or establish a new position. For these companies, the management and containment of cost was of paramount importance. The recent economic crisis only served to re-emphasise this aspect of their operations. Subsequently, these companies could, through their market reputation and relationships, build further on their market share and also offer products and services of higher value, in an effort to get out of the 'low-cost' tag, which also connotes low quality in many cases. This approach differed from other multinationals such as Pepsi, Unilever, IBM, etc, who came in from a position of recognised and acknowledged strength, into their other markets. However, a parallel may be drawn with what has occurred in other parts of the world; especially the consumer electronics companies from Japan and Korea, which over several decades have changed in perception from low-cost to being both premium and the most innovative in their industry, globally. Through their strategies and tactics, these companies managed to rewrite the rules of the game and forced incumbent leaders to revisit their strategies and positions.

For these large, game changing Indian firms, brand building came much later, as they were recognised by the global competitors, who started to expand into India and other emerging markets. The Indian ITS firms were then recognised by the global customer base, and they then began to compete with global leaders such as HP, EDS and IBM.

Despite their differences, some common themes applicable across large and mid-sized companies were observed. They include global thinking, hiring local staff, building the right alliances and focus on ethics and good business governance. Key similarities and differences between the cases studied, and these large Indian multinationals are discussed below. In Chapter 5, the specific points have been highlighted.

Marketing and brand building seem to be very important for all the companies studied. (Section 5.5.2.1)

The route taken to becoming global differed widely between various 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. (Section 5.4)

Innovation was noticed, not just in engineering, product design and technical delivery, but also in support areas such as brand management and marketing. By their very nature, these organisations have to be more fleet-footed and agile. Flexible and innovative business processes, and quick decision-making are critical. While the family run business would like to empower the frontline employees more to increase their level of agility, the major decisions still get taken by a small number of senior executives. This area therefore continues to remain a challenge. The professionally managed organisations on the other hand, have processes that allow them to take a standard approach to a large number of situations. (Section 5.5.3.2) The latter are not necessarily more agile, since the decision-making process is more complex. However, the focus on innovation might help these companies become world leaders at some time in the future. (Section 5.5.1.5)

6.8 Contributions to research

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. This is a relatively new, unexplored, evolving area of research. There is a high level of interest, as companies from the West are also curious to know how emerging economy companies plan and operate in the global context. This is particularly important to them as companies from India, China and other emerging economies claim a larger share of the global market in several industries. The Indian markets are getting more integrated into the global one, which implies that Indian companies need to adapt to these new realities. It has been forecast that ‘base of the pyramid’ products and services will disrupt existing market dynamics. Very little is known or documented about companies from emerging economies, especially India.

This research study adds to the knowledge of Indian and emerging economy companies. There is a high level of scholarly interest in emerging economy multinationals, but very little published work exists. Other than a few works, hardly any detailed description of strategies adopted by emerging economy companies in their global forays could be found. While limited documentation on larger companies and groups exists in business and academic literature, not much work has been done on medium-sized emerging economy companies and the strategies they follow as they step beyond the local markets.

Theoretical, secondary research or macro economics based literature could be found. Indian companies would like to use real data to shape their strategies based on the experience of the few pioneers. This study has attempted to understand what a few such companies have actually done. The issues gleaned from the study, as well as the framework that has been evolved, can be used as the base model by companies in formulating their strategies. 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.

6.9 Areas for further research

Further research is required to answer a few questions such as:

- Is there similarity in approach between two or more organisations that are in the same industry?
- Would the same organisation have followed a differentiated strategy, if it had multiple businesses in its portfolio?
- While moving into a new country or market, would the company change its priorities and focus for each?
- Are there significant differences in approach between mid-sized and small organisations?

Although on the face of it, it would seem that the conclusions of this research would be applicable to emerging multinationals from other similar economies as well, it may be necessary to make a detailed assessment of the actual level and mode of applicability. In particular, a different cultural context is likely to warrant differences in strategy as well.

The effectiveness of the strategy in the market, with respect to competitors has also not been studied and might be another topic for exploration. Strategy is a complex matter, with several variables that influence definition and operation; by its very nature, it changes as circumstances change. This research project looked at strategy from an overall perspective, and did not get into details of each of these variables. Further study might be undertaken in order to get a deeper understanding of each of these.

Finally, if organisations were to globalise today, would they approach the task any differently than the companies studied, given that they would have the advantage of experience from the companies that have already globalised?

6.10 Implications for Business

The study has described a framework that can be used by emerging Indian multinational companies as they expand globally. While many elements of this framework may be seen to be applicable in any kind of organisational strategy, 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. From the cases studied, a common set of principles did emerge; differences in priorities were also apparent, as also differences in approach. It may be concluded that there is no single approach that is applicable to all the organisations, as might be expected.

The conclusions from the study do raise some important questions concerning formulation and application of a strategy. One set of questions pertains to changes in context. We saw that the institutional framework to a large extent determines the format in which companies build local partnerships. Another factor that affects choice of the format is the investment required. Would the organisations perhaps choose a different format, given a different balance of institutional framework and financial investment? The emergence of new laws pertaining to environmental sustainability is becoming more prevalent and could well be the determinant of country-specific actions.

A second set of questions might be raised, pertaining to timing. Had these same organisations undertaken their global journey at a different point of time, would they have adopted a different kind of strategy? Would their level of motivation have been different? Would have organised differently? How would they have approached brand building? Would resilience have had a different implication, if they had not faced the financial crisis?

The factors that form part of this framework are indeed related. The study did not analyse the interrelatedness of these factors, although the findings presented do highlight a few such strands. However, it may be pertinent for an organisation to understand how best to balance the approach to each of the levers. In that case, how would a change in approach in any one of them affect the way they view the others? For example, if the company's strategy lays greater emphasis on building local alliances in each of the countries, how would their brand building strategies change?

It may be argued that the framework as described may be applicable to larger as well as smaller organisations. Again, would the size of the organisation be relevant to the choice of specific elements of the strategy framework?

This study attempted to find a set of principles for strategy formulation, that might be applicable across a wide set of industries. There are several issues which are specific to each industry; for example, the software services industry is unique in the kinds of projects it undertakes, and they need to be dealt with in a way that is different from light engineering. In the cases studied, several such unique aspects were visible, and have been highlighted.

6.11 Recommendations

Lessons from the experiences of other companies can help organisations which are desirous of expanding globally, to recognise the requirements of their own strategy, while formulating and fine tuning it. A few key recommendations are highlighted below.

The study showed that many common themes exist across companies, no matter what industry they belong to, their history, and their approach to globalisation. Further, as Fortainier and Tulder found [90], there are substantial differences in the exact manner in which the different firms globalise; the results of this study are consistent with their findings.

Today, the vision of any organisation is expected to be global in nature, reflecting the environment it operates in; however, the company can choose the various countries it wants to enter and tailor its country-offering mix, based on its priorities. All the companies studied lay considerable emphasis on aligning the organisation with their vision and chosen focus areas. (Section 5.5.1.2) Recent studies such as Pillania's case study of Essel Propack Ltd [94] also discuss how large Indian multinationals are building global presence and leadership through judicious choice of the country-offering mix.

The case of companies A and B showed how the leaders are able to energise the rest of the organisation through empowerment. (Sections 5.5.1.1, 5.5.1.3 and 5.5.1.4) These firms also spent energy in preparing their organisations for a globally integrated world or 'globality'[4]. (Section 5.5.2.4)

As industries are become 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. Company B has been able to assume such a position through its open knowledge initiatives. (Sections 5.5.1.4, 5.5.1.5, 5.5.2.5 and 5.5.3.3)

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, such as in the case of Company B. Senior management has to participate and set an example, as we saw in Company A. (Sections 5.5.1.3 and 5.5.1.4)

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

[4] **Globality** is the end-state of globalization – Wikipedia

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. (Sections 5.5.1.3, 5.5.1.4 and 5.5.3.3)

Innovation and innovativeness are at the heart of global leadership. We saw some strong practices that have been put in place in Company B to promote innovativeness, including the ability to tap into ideas that originate not just within the company but also outside it. (Section 5.5.1.5) All three companies do give considerable thought to how they can renew themselves from time to time. (Section 5.5.3.5)

Clearly, with the pace of change accelerating, and in the global context, competition emerging from some very unexpected and non-traditional quarters, all the companies have shown in varying degrees, the importance of being ready for change. Managing change is an ongoing process and an important outcome of building such capability is that the company can become much more agile and resilient. Some companies such as Company B approach change in a very structured fashion; this could well be an important capability for emerging multinationals to succeed in their various target markets. (Sections 5.5.2 and 5.5.3)

Agility stood out as the key characteristic of these successful companies. Each organisation approaches this in a different way, and the differences could possibly be attributed to the different industries they are in and the maturity level of these industries. (Section 5.5.3.2)

Creating a strong identity and well-recognised brand is another priority area. Depending on its nature and business, the organisation has to choose the appropriate mechanism to create, promote and preserve this identity. (Section

5.5.2.1) It also has to make suitable investments to support its claim. (Section 5.5.1.6)

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, help the company do better in the domestic market as well. Therefore, as companies craft their global strategies, it is important that they put in place specific actions that allow them to gain this confidence. (Section 5.5.2.2)

Bringing in the most suitable talent cannot be emphasised sufficiently. As organisations spread across more far-flung areas, it becomes even more important that it nurture its talent. Companies A and B, both have approached this in different ways, but both of them sought for the most optimal mix of people across countries, cultures and experience. (Section 5.5.2.3) Sometimes it might be appropriate and easier to tap into the capability that resides in business partners and customers. Company A has demonstrated a special ability to find the best partners for each situation. Company C has been able to reach a set of non-conventional collaborators to help it assume leadership position in its space. (Section 5.5.2.6 and 5.5.2.7)

With customers also becoming more global in their outlook and having access to substantial information in comparison to the past, these companies are seeing the need to co-create the future together with their customers. Company A, in moving into more value-added services, is creating strong relationships of trust with customers, which would allow them to collaborate more tightly. Company B, by developing deeper relationships with customers, is similarly exploring ways to innovate and create path-breaking technologies. Company C depends on its ability to appeal to consumers in the local markets by relating with them. (Sections 5.5.2.7, 5.5.3 and 5.5.4)

All this further implies that 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. (Section 5.5.2.5 and 5.5.3.4)

It was observed that, while resilience is recognised to be an absolutely critical matter, there is not enough clarity or specific action being taken to build resilience in a concerted fashion, although risk-taking is encouraged, as is ongoing learning. There is also substantial focus on good governance. (Section 5.5.3)

There is awareness that sustainability and sustainable development are assuming more importance in the agenda of a number of countries. In response to the changing business, cultural and political environment, we saw the examples of Companies A and B addressing their shortcomings or creating business models that would enable them to stay the course. (Section 5.5.4.1) However, there is hardly any real evidence of the manner in which these companies do focus on and invest in integrating into local society, other than hiring frontline staff or creating suitable local alliance partnerships. (Section 5.5.4.2 and 5.5.2.3)

6.12 Conclusion

There is substantial literature and research available in the areas of globalisation, global competitiveness and strategy and in several of the individual areas that constitute the framework defined in this study. Recently, case studies of relatively larger Indian multinationals have also been published. However, not much data is available, pertaining to the manner in which mid-sized Indian multinationals have globalised. The purpose of this research, based on three case studies with a wide range of characteristics, was to highlight key areas and directions for understanding the globalisation strategies of emerging Indian multinationals. Although by no means does it provide complete answers to this extremely large and complex matter, nevertheless, from the data gathered, it has been possible to describe the strategy levers used by these companies and the manner in which they have approached each. Common themes were found, as also a few differences that could be explained by the type of industry and organisation. It is expected that the understanding thus gained might be applicable to emerging multinationals from other emerging economies as well. The evidence from the case studies also enriches the framework derived and may be used by other globalising firms. This study has been an attempt at contributing to building understanding and raising further questions for research around the research gaps in current literature and as highlighted by various authors.

Annexure A : Collaborating For Success in the Global Market: Lessons for Indian Companies [5]

A1 *Introduction*

India was a significant player in international trade from pre-historic times. Evidence from the Indus Valley Civilization suggests that trade with Mesopotamia and other civilizations of those times existing since 2500 BC. However, more recent history suggests that India and Indian organizations have been weak participants in the global economy, with textiles and handicrafts being the main exports by about 1700. With the industrial revolution in England and the colonization of the country, India's participation in international trade was largely restricted to catering to the needs of the colonial powers. Agency houses emerged as the main Indian organizations that connected the Indian economy with the outside world.

In the 20th century, till about the 1960s, almost all companies that dominated global trade were European or American. Gradually, Japanese companies emerged as global players in the late 1960s, followed by those from Korea and other East Asian countries in the 1980s [162]. Today, many analysts suggest that the next phase of dominant global corporations are going to be produced by the emerging economies, particularly China and India. Although, there were a few Indian owned joint-venture organizations operating outside the country after independence, the journey towards becoming integrated into global commerce started in the early 1990s. The current dynamism in the Indian economy, and the confidence with which Indian corporations are venturing beyond the boundaries of the country suggests that India will be able to take its rightful place as a commercial powerhouse in the near future.

[5] Adapted from paper presented in the 9th Annual Convention of the Strategic Management Forum

A2 *Global Indian Organizations*

According to [169] there is a fundamental difference between an ‘international’ and a ‘global’ organization. Consistent with Yeung [170] who argues that going international is a simpler effort based on the expansion of markets for existing products and services beyond the national boundaries of the country of origin, while going global involves recognizing the diversity in different markets and taking an integrated approach to the global market. Prior to the more recent efforts, participation of Indian companies beyond the national borders largely meant trying to supply Indian products in similar developing and geographically close markets, i.e. they tried to leverage some country and company advantages to tap overseas markets. While these organizations were international players they lacked the global mindset and global aspirations to truly be global players. The Indian organizations are venturing outside the national borders with a required mindset and aspirations. They are seeking to leverage country and company advantage wherever it exists (even outside India) to offer products and services to the markets wherever it exits (even in the developed world).

Observing the recent trend in globalisation by Indian companies, Karki [162] suggests that there are three types of strategies that Indian companies have adopted to approach overseas markets. When the domestic market is small and/or unattractive, organizations try to tap Indian competitive advantage to offer products and services in the global market based on an outsourcing model. They are often referred to as ‘born global’ organizations. The best examples of such firms are in the software and IT services industry and more recently the business process outsourcing industry. (Some of the major players in the industry such as Infosys, Wipro and TCS that were based on the outsourcing model are currently trying to transform into truly global players.) However, there are examples of Indian firms tapping overseas markets through the outsourcing strategy in manufacturing sector. Sundram Fasteners and Bharat Forge are examples of organizations in the manufacturing sectors that have entered the global market using an outsourcing strategy. While these organizations are not strictly born global, they have given a global thrust to their strategy, which is quite independent of the Indian market by relying on an outsourcing strategy.

The second overseas strategy type is 'internationalization,' where companies are aiming to expand market or balance business downturns and risks of domestic market. As suggested above, organizations that adopt the internationalization strategy rely on their national and company advantage to approach markets similar to their domestic markets. Jindal Iron and Steel and Bajaj Auto are good examples of companies with strong positions in the domestic market that have used an internationalization strategy.

The third type is 'multinationalisation,' where companies having substantial overseas business and after operating for a few years are aiming to create sustainable competitive position in several geographies. Wockhardt, Asian Paints and more recently the Mahindra Group in the tractor industry and the Tata Group in the auto industry represent examples of Indian organization that have adopted the multinational strategy.

While internationalization and multinationalisation broadly fall into a continuum and follow traditional models of overseas expansion, outsourcing is a new strategy type made possible by developments in information and communication technologies. No strategy type is intrinsically superior and a major proportion of Indian companies will be following the first or the second type and increasingly larger number will be evolving into the third type. However, the requirements and imperatives of being successful, for the individual types, are distinct. [162]

In order to pursue any of the above strategies, organizations need to establish a presence outside the country. This may be done by establishing greenfield projects outside the country or acquiring other companies, or building alliances with other companies with complementary resources. Alliances could be any of a large range: from mergers, joint ventures to partnerships for a limited purpose. In addition, clusters of organisations are forming webs that enable them to achieve much more in a synergistic fashion. In this paper, we discuss the case of alliances as a way for Indian companies to go global. Based on interviews with executives from three Indian firms, TCS, Mindtree Consulting and Indo-Asian, who have experience in various facets of the globalization process, we present learning that may be relevant for other Indian organizations that are aspiring to go global.

A3 *The Indian Experience*

In order to validate their understanding, the authors studied three Indian companies that have used alliances to serve their global customers successfully. [6] Indian companies, as they go global, find that one effective way in which they can address the challenges of the global market is through building suitable, strong partnerships. When they identify the areas for collaboration, they look at areas such as

- Niche expertise to address a particular industry
- Understanding of local business practices and business dynamics
- Extant customer relationships in the geographies that the company would like to operate in, thus increasing speed to market
- Build scale in new markets
- Bring in state-of-the-art technologies or capabilities into the products and services offered by the company

[6] The authors would like to gratefully acknowledge the inputs received from the following:
Mr J Rajagopal, Tata Consultancy Services
Mr N Krishnakumar, Mindtree Consulting
Mr Vimal Mahendru, Indo-Asian Group
These inputs were used to validate the hypotheses of the study, and to understand the perspectives of top management in leading Indian multinational firms. This paper describes the conclusions gleaned from data gathered, all of which may not be shared due to reasons of confidentiality.

- Complementary skills needed to address specific customer requirements
- Joint development of product or service offerings that would lead to large plays in the global market
- Understanding of local customer requirements and language

All the interviewees were of the opinion that in order to transition from incremental improvement to leading an industry or market segment, in an ever-changing business world, alliances are almost inevitable.

While selecting alliance partners, the major factors considered are:

- Reputation and credibility in the industry or market segment being addressed
- The unique strengths being brought in by each of the partners
- The chemistry between the partners
- Access to customers and sound relationships with them
- Deep understanding of/ expertise in a particular domain, customer or market
- Appropriate size
- Whether either partner is likely to enter into the business that the other is carrying out.

A3.1 *Collective strengths*

An alliance should be put together based on exploiting the strengths of each of the partners, for a common purpose [113]. In such cases, the partners will remain focused on those skills and capabilities that they are strong in and can continually innovate on and invest in. The reason for building the alliance should be strategic rather than tactical [111]. The experience of Indian companies substantiates this.

All of the companies we surveyed told us that they set up a range of alliances: some are tactical and some are strategic in nature. The tactical alliances might be for one-time transfer of technology, cooperation to satisfy a specific requirement of a customer or for one-time supply of materials. Strategic alliances are set up to enter new markets or grow existing markets, to develop joint product or service offerings, to bring together a set of skills that each may individually possess, when none on its own can meet the requirements of the customer. However, in all cases, the alliance must be managed carefully.

Often alliances are built for tactical reasons. However, in order for the relationship to work to its full potential, it would be necessary to find a longer-term common ground. In addition, once a tactical relationship is in place for the shorter term, it would enable the partners to work towards a strategic long-term relationship for several future opportunities.

One of the companies built a tactical alliance with a local firm in Europe in order to address the demands of a specific client project. However, the project being a very large multi-year project, the companies find that the relationship has to be managed as a strategic relationship rather than as a tactical one. The companies therefore have periodic review meetings, in which the top management of both firms participate regularly and set direction. At the same, at a working level, the firms have named a person as a relationship manager in order to ensure the success of the alliance. A management dashboard has been defined, which enables the organisations to define the success of the relationship and to monitor progress with respect to achieving these goals.

We found that the companies prefer to have a few robust alliances rather than spread themselves thin with a large number of relationships. In this case, they are able to dedicate the energy and resources required to make the alliance successful. For example, when the international alliance partner is a small company, it might not want to build an exclusive relationship, but keep its options open as it allies itself with several competitors in the same industry. In such cases, neither partner is able to make the investments required to make the alliance really synergistic. Although it does serve the purpose for which the partnership was formed, neither partner is able to gain the potential benefits that such an alliance might have the capacity to deliver. Such relationships, where neither partner is willing to commit itself to the alliance in a dedicated manner, are not likely to yield benefits to their customers, or to either partner, on a sustained basis. An example of a long-term strategic alliance is that of one company, which built a relationship with another Indian organisation in a niche industry area, so that they could jointly develop and market a product to address the needs of global companies in that industry.

A3.2 *Focus on meaningful results*

In all the cases studied by us, the basic motivation for the alliance was the need to build capability to serve a particular customer or a customer segment. In all cases, the alliance partner was chosen in order to define a solution to the business issues being faced by the customer and keeping in mind the added value that each partner would bring to the customer. The partners and the customer should understand the specific skills or capabilities that each brings to the table. This helps set realistic expectations.

Especially in cases where knowledge based projects are executed, the participation of the client in the end solution is as important as the role played by the alliance partners. Thus, it is important that the roles of all entities are defined clearly, along with their deliverables. Given the fact that people from disparate organisations would work together for the execution of the project, focus on business benefits is extremely important. This was brought out strongly in the case of a large systems project executed for a European client. It was this attitude that enabled the alliance to deliver meaningful results as the outcome. Had the teams not stayed focused on the end results and the performance dashboard, it is very likely that the project could have derailed, as inter-organisational issues would likely have taken precedence over work.

In each of the successful alliances, it was observed that defining the value right at the beginning was important in order to make the alliance work. In some cases, the alliance was struck as neither party on its own could have serviced the customer requirement. However, when the products and services capabilities of both were put together, they were able to offer a unique, competitive, and complete solution to their customers. This was true of marketing alliances, technical collaborations, joint project teams as well as joint product development.

In selecting a partner, it is essential that both organisations understand their core competencies. At times, the alliance partners may have overlapping interests [110]. They must commit that they will not try to build capabilities that may overlap with the partner. Examples were cited, where the discussions between the organisations broke down due to a feeling that the other partner could potentially build competitive capability at a later date.

A3.3 *Nurturing the relationship*

The relationship between the alliance partners plays an extremely important role in ensuring healthy performance by the partners in market situations. Uniformly, all the organisations interviewed by us felt the need to manage the relationship with their alliance partners on a pro-active basis, rather than allow it to shape up on its own.

Shared risk and reward mechanisms enable the alliance to function well. Transparency and a clear understanding of which partner is carrying what kinds of risk are important. Such understanding would enable both to have an up-front arrangement on issues such as sharing of profit.

Since many strategic relationships are such that the set of capabilities brought by each is different, it is unlikely that it would be possible for either organisation to address crisis situations on its own. In this context, it must be understood that in such strategic alliances, the partners have to share a common vision and destiny. There should be adequate safeguards, as described elsewhere in this paper, which will address such situations. The ability to make the alliance work in difficult situations is the test of a good partnership.

Changes in processes in both organisations are inevitable in case of a strategic relationship. This is less so in tactical short-term relationships. One of the companies talked of the manner in which the joint organisation had to evolve a fresh set of modified processes in order that both partners could work in a seamless and efficient manner. The partners must consider themselves as part of a single extended organisation, which serves the business requirements of its customers. To this end, two of the companies talked about the steps taken by them to name specific individuals charged with the responsibility of ensuring success of each alliance. A performance dashboard is laid out, which defines the parameters that define success of the partnership at each stage. The performance of the relationship managers is directly linked to this dashboard.

The partners must work out their areas of concern at an early date while finalizing the relationship, so that both may know these, and appropriate safeguards may be built into the contract as well as the working norms between them. For example, one of the companies built a clause into their alliance agreement, that each would not hire people from the other. It is important that the partners remain flexible, rather than be governed by the formal agreement alone. Flexibility gives the alliance the ability to respond in an agile manner to changes in customer requirements or changes in the environment. An example is that the company had planned with a certain resource requirement in mind. However, as the work progressed, the client decided to slow down the pace of the project. This meant that the project plan had to be modified and people deployed to other projects.

A3.4 *Adequate resource commitment*

In an alliance that is considered important to both partners, it would be natural to commit adequate resources. The experience of the Indian companies studied is that when there is a customer reason and adequate returns, the partners do bring in whatever is required to make the customer successful. Where adequate financial returns are not expected, the partner would bring in just the minimum required to deliver their part of the agreement. This is especially true in tactical and one-time alliances.

The investments the partners have to make are in areas such as:

- Deployment of people
- Financial inputs
- Constant improvement of the solution
- Regular progress reviews
- Joint planning exercises
- Sharing of knowledge and experience
- Joint team building
- Partner sensitisation

The importance of knowledge of the integrated offering cannot be underlined sufficiently. Two of the organisations said that the alliance partner staffs are treated in the same manner as their own, providing them the same material and training. As a result, the offerings are better understood and the value proposition can be articulated better. This also helps make the client feel more comfortable with the consortium as a whole, thus enabling smoother functioning of the project.

We heard from all the organisations that the alliance is really about people making it work. Therefore, it is absolutely critical that the relationship between the partner organisations is managed at all levels, in a very conscious manner. This means a high investment of time, both professional and personal. Strong relationships are perhaps the single most important reason for alliances working well. Understanding the relevant persons from the partner organisation as individuals with their concerns, aspirations and ways of doing things, is achieved when there is mutual respect. In all the organisations studied, this is led at the highest level of management. A lot of personal time is invested in building and maintaining the relationships between individuals.

A3.5 *Manage transition within the organisations*

When an alliance is agreed upon, changes are brought into both organisations in the way they work, the roles performed by different people, the organisation structure and the criteria for success. It is natural that people in both organisations should feel concerned about the way in which they would be impacted as a result. A conscious change management effort is therefore required. The efforts made by the organisations in this respect are different, with some doing more and some less. Systematic change management programs have been put in where very large teams from the partner organisations have to come together to deliver an integrated project to their clients.

One of the most important aspects of a successful alliance is the ability of the people at every level to have a comfortable working relationship. This implies that people should be able to get along with each other. Age differences, cultural differences, differences in background, education, language and work experience can all be areas that cause difficulty in making the alliance work.

It is important that a conducive atmosphere is created, in which top management is visibly involved in showing the importance of the relationship to the employees, clients and the market. A clear top management mandate is required, supported by empowerment to the rest of the organisation to carry out whatever action is required to make the alliance deliver the desired results. An escalation and conflict resolution mechanism must be put in place right at the beginning of the relationship. While a legal contract must exist, the approach to the alliance cannot be legalistic: if people refer to the contract, it spells the end of the relationship.

Most importantly, the organisations have both to recognize that they are simply part of a single extended organisation with a common set of objectives. All concerned people in the organisation must stay focused on the end goals and objectives. The change management undertaken by the organisation must start with defining these end goals clearly and in terms that everyone in the organisation can relate with and execute to. Programs are run, to enhance teamwork amongst the members of the combined team.

Specific needs of each of the partners are given equal importance by both. For example, in one of the cases, the quality certification standards of one of the partners were explained and both teams adhered to the same. Sensitivity to the other’s point of view is required for the alliance to work effectively. Especially in cross- cultural or international alliances, societal culture has a major role to play. The same words could mean different things; practices both business and social could be very different. Diversity can be brought out by the national context as well. Similarly, the corporate culture and any differences in the culture between alliance members can also be a source of much difference between the partners. Management practices and organizational structures that are widely different are also likely to result in conflict between the partners and make it extremely difficult for the partners to work together effectively [110].

The companies we studied have all recognized the importance of managing the change required for the alliance to deliver results. Some of the alliances required training for both partners on the cultural, language and issues involved in working together and with the customer. Sensitisation to issues such as appraisal systems and organizational expectations is also carried out from time to time.

An early warning system needs to be put in place that would enable the organisations to understand any likely hindrances to the partnership working well. Regular reviews, a high degree of communication in all directions and clear mandate are essential.

A3.6 *When alliances do not work well*

From the experiences of the companies interviewed, it would seem that there are currently some situations in which an alliance might not work well.

Scaling across different geographical markets: often, when the partner is a focused or niche player, the expectation that new markets can be grown or tapped jointly is not met.

Partnering with large multinational companies or full-service range companies: often this does not enable the full potential of the relatively smaller Indian company to be realized.

Short-term concerns: when short-term concerns take precedence, the larger picture is forgotten. This can result in steps being taken that come in the way of getting the most out of the relationship.

Lack of clarity of roles: when the role or the value brought by each is not clearly understood, conflicts are likely to arise.

Benefits to the partners are insufficient: when the reasons for which the partnership was created are not sufficiently important to either company or when the partners do not get meaningful financial returns, the parties lose interest in the alliance.

Non-exclusive alliances: partnerships that are “many to many”, imply that the partners are not able to give sufficient attention or commitment to the alliance and as a result, they do not make the investments required to make a success of the partnership.

Partnership in order to gain expertise in a special service area: the experience is that trying to learn a new area of expertise, and use that in order to broaden the offerings of the company does not seem to be effective as the staff of each partner have their own areas of experience and background, which are not necessarily conducive to learning these new areas.

Annexure B : Acer Corporation: An Asian Multinational: A Case Study

B1 *Synopsis*

Acer started as an OEM supplier of desktop computers in Taiwan. Taking advantage of the globalisation of the computer market, it then grew into one of the largest and most competitive manufacturers of computers. Today, it is a strong multinational brand with presence in over 100 countries and with leadership in services and software as well. This section describes the story behind this successful Asian company that has grown into a multinational. Many are the theories behind the strategies followed by global corporations. Here, the strategies that Acer chose to adopt are explored.

B2 *Background*

The Acer Corporation was founded to manufacture PCs for the Taiwanese and Asian markets. Started with an initial investment of USD 25000, the company in 2000 reported revenue of USD 9.4 bn. Acer is now recognized as one of the top ten PC companies in the world. This phenomenal growth has taken place in a short span of 25 years. In this paper, the author explores the strategies adopted by Acer to achieve this success.

The Acer Group was founded in 1976. As the company grew into a global firm, it realized that some of its challenges included

- Getting over the “made in Taiwan” perception of its products being low cost and low quality
- Insufficient financial resources required to fund global operations
- Finding ways of tapping into global experience and expertise
- Adapt the products to meet the requirements of the global market

The strategies adopted by Stan Shih and his colleagues to overcome these challenges and establish a clear leadership position are broadly:

- Partnering with strong global channel partners to establish a credible global brand with a “local touch”
- Winning in the secondary markets to generate the ability to compete globally
- Development of innovative products as well as new management practices that changed the rules of the game and helped differentiate Acer from the other players in the market

Acer also clearly understood from the start that they could not win by following the same strategies as US or Europe based organizations and fashioned their growth in a manner that was appropriate for them.

The strengths that they therefore built upon, which enabled them to compete effectively, were its speed, agility, flexibility and low cost brainpower.

B3 *Characteristics of the multinational corporation*

In order to succeed and gain competitive advantage, the successful global corporation has to put in place vision, strategies, operating principles and processes that enable it to gain a sustainable position in the global market. [163] p xix. In the sections that follow, some typical characteristics of successful multinationals are described [77] , [163]. The impact of globalisation is also discussed. This list is by no means exhaustive, but lays the background for the analysis of the path taken by Acer.

B3.1 *Aspiration and Mindset*

Often organisations do not think that they can grow into credible global organisations because they perceive that this could be fraught with risk. Sumantra Ghoshal, et al, in the introduction to their book, say that “it is this psychological barrier that is perhaps the biggest stumbling block, preventing Indian companies from starting on the transformational journey to becoming world class in their strategies, organisation and management.” [163] p xiii, Mindset and aspiration are the single greatest factor that determines whether a firm can operate in a global manner.

In the last few decades, geographic expansion was undertaken either through a multi-local or global route. The multi-local organisation typically excels in many different locations, achieving a leadership position in each of the local markets it operates in. The global corporation, on the other hand, replicates its success in a single home market to several other countries and achieves scale on the basis of thinking and acting as a single global company. Over the last several years, organisations have begun to adopt a transnational model, which combines the scale and specialization offered by thinking globally and access to several markets by building local markets. [171]

In order to really understand the global market and frame strategies that would help win in this market, companies would need to gain a perspective which is very different from that gained in local operations. [171]

In a study carried out by Bryan and others in 1997, they found that most managers do not seem to understand the impact of globalisation on themselves; neither did they aspire to winning in the large global marketplace. Global companies must not just be able to paint the big picture, but also be able to delve into some very minute details. [163]. This mindset allows the management of the organisation to switch between these two modes easily and is extremely important in ensuring sustained growth in the global market. In the uncertain world typified by the global market, organisations have to provide people with the incentives to work towards globalisation. This also means that there should be adequate performance measures that allow them to manage the process. [171]

B3.2 *Alliances*

Ii is neither possible nor advisable for companies to try to do everything on their own, esp. in the highly complex marketplace of today. Therefore, the right alliances are key to the successful globalisation of any business. These alliances may be supply side, distribution side or participating in the manufacturing operations. In keeping with the global nature of business, these alliances could also be from any country where the strengths lie.

Home based suppliers may be used in situations where the proximity between the customer and supplier makes it easy to collaborate and invest jointly in research and development as well as in developing the market proactively. Where there is similarity in the cultures of the two organizations and a higher level of comfort, it also allows for a free flow of information and a higher level of trust that enables collaborative working. The higher the level of integration that is enabled between the value chains of the two organizations, the more benefits they can jointly offer the consumer.

However, there is a lot of advantage that world-class suppliers can bring to bear on the alliance. They bring in ideas that are world class, ideas that are used in other perhaps more competitive markets, which enable the organisation to innovate or change the way it does business. This could also potentially help the company to anticipate and prepare for the competition it is likely to face in the future.

B3.3 *Innovation and Upgradation*

When the domestic or global market grows in size, other related industries begin to grow as well, that form alliances to deliver better value to the customer. In addition, as the market grows to saturation or maturity, other industries catering to demands growing out of higher or related demands of the customer also come into being. This growth calls for upgradation of the products and services. Therefore, it results in higher levels of innovation and research to create the products and services that would be required to meet the changed demands. As the market is exposed to global competition, the pressure on ensuring that better technologies and efficiencies are built up increases and companies are forced into higher levels of innovation.

With globalisation, physical resources such as material, capital and manpower no longer remain a source of competitive advantage. It is really the intangible wealth of the organisation that gives it the competitive edge, by providing access to markets that hitherto did not exist or could not be serviced. [171]

B3.4 *Home market*

The market forces alone set the only real priorities that companies have. The way the market / customers are segmented determines their needs that the company would seek to fulfill thru its offerings. These needs may not be the ones required by the international market. However, the manner in which the company is able to anticipate the needs of its customers and their demands would again drive the level of innovativeness in the industry. All of this sets the priorities that the country as a whole adopts with relation to that industry. Further, as we shall see, these national priorities and attention will determine the environmental factors that the firm has to deal with.

If the home market becomes international, it brings many challenges and opportunities to the home market. The size of the home market itself determines the economies of scale that the companies in that industry would try to achieve. If the market is large and there are several competitors, the organisation is forced to find ways of reducing costs. On the other hand, to gain a sufficient size that will allow these economies of scale, the organisation may need to find ways of growing the market itself. This may result in new products, or in the growth of related industries. It is not only the increase in size of the market, but also the rate of growth that determines the directions that the company would take. When the market reaches a level of saturation, the organisation has to find ways of bringing down prices, and of increasing product / service features and capabilities in an innovative manner to keep the business reasonably profitable and to pave the way for future growth.

The need to innovate may arise from a fiercely competitive market or from the fact that the firm is at a disadvantage in certain areas. Sometimes, the firm finds itself in a disadvantageous position in the market, either internally or externally or both. These disadvantages could come from a large number of sources. However, it is up to the organisation to turn this situation to its advantage. When organizations are faced with stiff competition and a subsequent downturn in their fortunes, they tend to find innovative ways of reducing their risk and finding one or more factors on which they can compete or gain a position of strength.

B3.5 *Factors of production*

Several factors can determine the ability of an organisation to compete or lead in the global market. Amongst these are the kind of investments that need to be made in infrastructure, the physical resources available for production such as materials and other inputs, the knowledge required to make the business successful, the kind of people available to run the business at the operational and strategic levels. The effectiveness and efficiency with which all resources are put to use determines the costs and the market promises or service levels that the organisation that commit to, and thus the potential to lead. As these practices become more world class, the organisation gains the strength required to compete in the global marketplace as well.

B3.6 *National goals*

The economic goals that the country sets for itself has a great role to play in the strategies adopted by companies. Organisations are limited by the priorities set, in that the technologies they can work with, the scale of operations, the investments available to them, the pricing of the product in the domestic and international market, are all determined in large part by the national priorities.

B3.7 *Size*

The size of the market determines the costs that the firm would have to incur in production and distribution. Depending on the way the market is viewed, whether it is perceived to be purely domestic or international, the size still has to be at a minimum, sustainable. The potential for business would also be a key factor that drives the investments made for market, product, technology and skill development, All these have a huge bearing on whether the organisation can sustain itself in the global market. Eventually, some firms attain scales of operation that enable them to compete globally.

B3.8 *The role of Government*

The government has a significant role to play in shaping the strategies of the businesses operating in the country. Tax structures may attract investments in specific sectors or types of organisation. Tariff or non-tariff barriers could protect domestic industries to attain a desired level of stability and scale. By promoting education in certain areas, the government also ensures availability of trained manpower in chosen areas of competency.

B4 *The Acer Story*

It is clear from the foregoing that in the global market, success will go to the companies that shape the way the industry will move, rather than those that follow. [171]. There are three elements that must align well in order to achieve this leadership: its value creation logic, its organizing principles and its people processes. [163]. In the sections that follow, we examine how Acer successfully brought its strategies together on all of these dimensions.

There were four distinct stages in the evolution of Acer as a global corporation.
The first phase was "commercializing microprocessor technology". Starting in 1976 as a company focused on trade, it then designed and produced PCs for the home market in Taiwan as well as for exports. By 1985, they had established Taiwan's largest computer retail chain. During the next phase from 1987 to 1995, they established the Acer brand, formed joint ventures that allowed them to enter technology research and development. During this time, they spread their wings to several countries as well. From 1996 to 2000, the focus shifted to further strengthening and creating international brand awareness. In the current phase, Acer is transforming itself to become more of a services company. [172] The vision behind this transformation is called "megamicro e-enabling services". This includes establishing a huge infrastructure that includes networking, hardware and application software. The "micro e-services" are the applications that customers can access for their daily use. [173]

B4.1 *The motivation*

It is important to understand why Acer wanted to go global.

- Save costs

In order to compete globally, it was necessary to reduce costs considerably. Therefore, it became imperative that the company takes advantage of materials, strengths, capabilities, and other resources that may be cheaper or better in other countries. When the company has operations in all parts of the globe, it means that the overheads and investments would be spread over a larger geographic base, thus bringing down the overall costs. [171]

- Expand market

To sustain a competitive edge, cost alone would not be sufficient. Acer realized the importance of expanding the market they would play in. Once again, thinking globally was the solution. The varied markets they now operate in help them tide over variations in demand in different countries.

B4.2 *The strategies adopted by Acer*

Broadly, the main strategies followed by Acer are:

Cooperation: Acer understood that in the global market, there are no permanent competitors in all markets where an organisation operates. They were therefore open to working hand in hand with organizations that may be competitors as well. The company strove to build flexibility and openness and play various roles as needed.

Structure: The organisation structure is what Acer called the “Internet organisation”: a network rather than a steep hierarchy.

Focus: As the practice of outsourcing grew in the global computer market, companies such as Acer manufactured PCs for the global majors such as IBM. They continued to focus on a niche area of competence rather than try to compete in every market and product space.

Brand: Acer moved from being an OEM supplier to an ODM (original design and manufacture) to OBM (own brand manufacture). This progression was consciously carried out as opportunities were created for the company to grow in a profitable and sustainable manner.

The sections that follow describe some details of the strategies and the beliefs that govern the manner in which Acer operates.

B4.3 *Some basic philosophies*

Selected markets: In Stan Shih's words "do not fight any battles that you can't afford to lose". Therefore, since there was no point in competing in markets where they were likely to lose, Acer limited the markets in which they operate. At the same time, they also took risks, by ensuring that their stakes were not so high that they stood to lose a lot if they did not win. It was because they took these risks that the company was able to expand into newer global markets at a rapid pace.

Customization: The requirements of users vary depending on the country and segment. Acer's R& D is aimed at taking cognizance of these different needs and finding ways of meeting them. Since every region and industry has its own set of parameters, there is no single formula for how innovation should be managed. In Acer's case, it cannot be managed in a global centralized manner either, as innovation must be managed as appropriate to the situation. [58]

Innovation: "Technological competitiveness required to maintain a company's business must remain in its own hands". Therefore, Acer has focused aggressively on building and staying at the forefront of technological innovation. The ever- evolving designs are specifically aimed at the typical PC user and their needs.

Distributed management: Innovation is at the heart of everything that Acer does. Therefore, the company has ensured that it is structured and managed in a way that supports and drives innovation. The ‘art’ of distributed management has been understood and put in place. This is also the reason for the Internet structure adopted by Acer. One of Stan Shih’s clear aspirations was that engineers in Taiwan would develop world-class products. Therefore, a lot of stress has been placed all along, on core R&D.

B4.4 *How Acer evolved into a multinational corporation*

The route to going global was by beginning with building strength in the local market and then moving into the rest of Asia (mainland China + South-east Asia). Thereafter, they moved into the West as well. Working in other countries is not much different from being in the home country, but the exposure for Acer is larger; there is also less control over the situation than when the company works in a single country. Therefore, Acer chose the right locations carefully, so that it would allow them to tap into markets, get the best people, manage the distribution, and ensure a high level of customer care. Another important consideration is that the logistics is easy, effective and timely.

B4.5 *Key strategies adopted by Acer*

VISION

Low cost is not basis for lasting value: so innovation became a cornerstone of Acer’s strategy. They also looked for and anticipated what the customers may like to have or may want. These innovations were created very fast and taken to market early enough. This helped them stay ahead of the market. Asian companies now have to strengthen their IP assets, software, and services to create value to move up the value curve. This is what Acer also believed in. Acer invested in the Internet well ahead of other organisations. Thus, they staked out a position that they would win in. The company balanced focus with diversity, enabling them to play in a niche market, but also keeping enough options available. Hardware would remain the fundamental business of Acer, but it would be balanced with software.

Acer decided to play in a large number of smaller markets rather than one single large market such as the US. The focus required is different in each case. In 2001, Acer created a new vision for itself around the concept of "MegaMicro e-enabling services", which would help make transition to a services company from one predominantly focused on technology. [58] p11

VALUES

Some of the values that the top management decided on and stated are described below. The organisation has to remain high performing and very agile. The growth plans are not just about creating commercial value through innovation, but also about creating an environment of innovation and learning so that organisation becomes more dynamic and can grow constantly.

Innovation and "innovalue" are fundamental to everything the company does and will do. There would therefore be substantial investment in the future. [174] The company would not believe in creating "me-too" products and would drive for early leadership through innovation. Technology is also put to good use in the process of innovation.

Growth would be mostly through creating startups and investing heavily in growing them, rather than through acquisition. This would enable these new companies to share the values of the group company, yet give them the space to grow as large as required. Acer is an international company, not a company that operates in local market or an exporter of technology. Even as internationalization of the company was taken forward, it was important to reflect the values/ strategies. These basic values and the vision would reflect in all the aspects of the global operations.

Some investment had to made in preparing for likely rough patches when the business may not do as well. This investment has to be made when the core skills and capability are still intact and not when the value is likely to erode. The work that Acer does is built on the strengths that are core to Acer. The peripheral strengths are used to supplement and grow in chosen markets.

Brand

The Acer brand was carefully positioned at the higher end of the market than other Taiwanese brands. The PC would now be an “aesthetically pleasing home appliance”. The move from “technology-centric to consumer centric, IPR and Services Company” was communicated as part of building the new brand. [174]

International marketing

In choosing the global markets to compete in, the company is realistic about where they can or cannot compete and win. Focus on the Asian market is important to Acer, as here they are on own turf, with a better understanding of the market and customers. It is hard to win the battle in a far away market such as Europe or the US. In the chosen markets, they have to invest in creating awareness of the Acer brand and what it stands for. Considerable effort has been made for this.

Learning from other global companies

As the company works globally, with global partners, they constantly seek to learn from the experience of companies in those markets and then apply them to their own situation.

Creating the brand

Acer moved from OEM manufacturing to ODM (own design manufacturing) and then to OBM (own brand manufacturing). The need for this shift arose because OEM meant a very high level of dependence on a very small number of customers and developing the ability to meet their specific needs. To drive competitiveness in a sustainable manner, Acer decided that it had to build a very strong international brand that could stand on its own and compete globally. This transition called for the company to move from simple to complex management, from large to small scale, from short to long time frames, and finally, serving many customers as against a few of them. Acer found out that having a strong brand does not necessarily mean that the only way to win is to price its products high. It therefore resorted to a strategy of international brand, but kept prices competitive in the local market.

While creating the brand, the company defined the essence of its brand as signifying:

Culture of caring, listening and doing
Distinctive appeal
Approachable and accountable to customers
Borderless and consistent quality
User friendly, dependable and affordable products. [58]

Having established the brand through its communications, Acer then set out to put in place or improve the processes that would support these brand values, knowing that everything the company does must support the brand it has created. The Acer brand was about adding value through packaging, accessibility, know-how, design, comfort and niche solutions, all would add to the tangible quality of the product and services offered to its customers. [174]

PEOPLE

People have their aspirations, including the desire to gain global experience. The company had to find ways of meeting these, either in Taiwan or in some other part of its global operations. Investment in training is extremely important for a company in the high tech space. This is an on-going activity. In addition, apart from training in technology areas, the company also invested in exposing its people to international good practices so that they could take the organisation forward by bringing these into their own areas of work. Acer wanted to ensure that its successful model was replicated in other countries where it operated. However, this could only be done if the leaders were also moved to those places with their team. Given this, they only went to countries that met these criteria, not merely because the market looked attractive.

In finding people in all the countries where Acer operates, they follow some principles.

- People should understand the local norms, rules, requirements and customers.
- There should be respect for the IPR, incl when collaborating with other companies that provide people to Acer.
- The local teams must be capable of supporting the end-to-end value chain of Acer.
- The teams should, on their own, be able to manage the operations well and effectively.

In his narration of the people strategy adopted by Acer, Stan Shih speaks of how they preferred Malaysian workers for some of their overseas operations as well. [58] . They found that Taiwanese workers typically wanted to work only in the advanced countries. However, they could get workers from Malaysia who were willing to be posted anywhere. Thus, the company could tap into the right type of skills, wherever they were available, and at a reasonable cost as well. The company also found ways of sharing the success with its employees in Taiwan and abroad.

Leadership Development

One person with a vision and the energy can drive the organisation and get it to a certain level of growth and success. However to continue to succeed and sustain the growth, the commitment to the organisation and its customers has to spread far beyond that leader. As Kotter says, leadership is a process that "moves people in a direction that is genuinely in their long term best interests". [175] pp 16 - 17. Effective leadership is clearly required to sustaining large organisations. This would mean building a vision, a meaningful strategy to achieve this vision, getting people to work together in large teams and inspiring them to act in accordance with the vision and strategy. The style of leadership should be such as to maximize creativity, helping focus energy in those initiatives that will yield results. [176] Stan Shih has instituted several leadership development programs so that new leaders can be developed, who will ensure sustainable growth. There is also a succession-planning program in Acer, which identifies the next set of leaders, for the critical roles in the company.

Research and Development and Innovation

The company decided that it would lead rather than follow, as in the latter situations, they would always be catching up. In addition, unless there was constant renewal in the products and services, they would be in a situation where the lead gained would easily be lost when others caught up in a few months. For Acer, innovation is not limited to characteristics of the products themselves. They have identified six types of innovation. [58]. Technology innovation, product innovation and service innovation are all part of the standard process of creating new value added offerings to the customers. This aspect has been discussed elsewhere in this paper and will therefore not be taken up in any more detail here.

Business Process Innovation

Identifying the measurements for success will influence the behavior within the organisation. Acer believes that it is not necessary for these to be quantitative measures. Often, it is a matter of understanding and identifying those factors that have the most impact on business. Innovation has to be followed up with fast and effective execution. This means developing closeness to customers and delivering meaningful value to them.

Marketing innovation

The first of these is the timing of introducing a new product or service to the market. This would determine the manner in which the company could gain market share and maintain it. Acer also decided to combine customers' key strengths with those of their own, so that together the customer would derive the maximum value. They clearly segmented the market into consumers, businesses and other companies in the industry. Each of these segments has different requirements. For each, Acer has a specific value proposition, built on the principles of simplicity, reliability and partnership.

Supply chain innovation

Newer and more efficient ways of doing business along the entire supply chain are constantly sought after. Each of these, applied globally, results in cost savings and improved customer service. Again, the learning is from the operations across the globe. The company has the mechanism to harness this learning and institutionalize it, so that it becomes part of the way it works.

It is recognized that for all types of innovation, a large home market allows Acer to innovate and invest in, while experimenting with new ways of doing things. There is also an understanding that the process of R& D is more important than the outcome itself, as other very useful outcomes may also emerge even if these are not exactly what were intended in first place. Often these outcomes create new ideas and values in some very unexpected ways.

The organisation structure

Stan Shih decided that to manage the company globally while keeping it agile, it could not afford to hold a central control on all its activities. At the same time, there is also a huge need for the various far-flung units to come together and share intellectual property, innovation and practices. Therefore, the concept of the “Internet organisation” evolved. The companies are linked in a network; these many companies have their separate shareholders, aspirations, etc. However, the protocol for interactions and interoperability is clearly defined and becomes the norm strictly adhered to by all the entities.

Since they had bet on the Internet, they decided that it would also be part of their guiding philosophy, believing that they must live what they profess. The leaders therefore called the structure an “internet organisation” and took pains to ensure that the opportunities held out by the Internet would be realized to their maximum by Acer themselves. [58] There is a lot of emphasis on teaming and making people work together well. It is important not just to innovate, but also to ensure that these are easily transferred to all parts of the organisation. [177] It is not just the physical assets that are managed by the company carefully. Human expertise is the key resource and the organisation has to exploit this capability to its full potential. People also need to be stretched to over-achieve: not only as individuals, but also in synergistic teams and this again is built into the way the company is structured.

FINANCING THE OPERATIONS

International companies doing the funding also end up being part of and committed to the success of this organisation. Therefore, Acer found ways of bringing in capital investments, and did not allow pure borrowing, as the latter would have resulted in much higher financial exposure. In some countries, it is easy to go public, whereas in some others, it is hard to take out money or close down unprofitable business. Instead, Acer chose to create global holding companies in Taiwan that were publicly traded in Taiwan. The international entities then became business units.

Alliances

Acer realized that in order to create a strong brand and compete in certain markets, it was necessary to team up with good partners. Stan Shih therefore looked for other OEM suppliers with whom Acer could collaborate to win in the market. Similarly, Acer also found channel partners to sell in the new markets that they entered.

To establish Acer as a strong brand in the West, one of the options was through acquisitions in the west. Some of the issues involved in this were: [58]

- Acer should be able to get the acquired company's brands, marketing channels and talent.
- The new company's products should fit into Acer's overall strategy and portfolio.
- Be able to manage integrated marketing plans and sales costs.
- The country should allow Acer to repatriate profits back.
- There should be trained manpower to support and enhance the operations

Given that it was hard to meet all these criteria, Acer chose not to acquire companies in the west as their means to global expansion. They did enter into a number of alliances including joint ventures, to gain global reach.

Speed

There is a need for speed especially in the impatient world of today, but effective execution is still key to success and Acer has made sure that there is adequate focus and allocation of resources to take care of this at all times. The company also decided that many of the services it offered would be enabled by the Internet and therefore, "e-services" are regularly being introduced for the benefit of their customers. [58]

B4.6 *The environment and its effect on Acer*

The Taiwanese government and its priorities have had a significant effect on the growth of Acer into a strong global player. During the 1950s, Taiwan encouraged manufacturers to follow an import substitution plan. It was in 1958 that the government gave greater incentives to export. The tariff on import of inputs was lowered, and financial incentives offered to exporters. From the 1960s, the government chose a strategy of government investment in certain specific sectors. Thus, there were lengths of time when the government-run companies led growth in the specified industry segments.

Early in the 50s and 60s, the emphasis was on machine tools, textiles, automotive, artificial fibres and plastics. Later, the focus moved to ship building and metals. The 1980s and 1990s saw investments in and the resultant growth of the semiconductor industry, consumer electronics, and computer software. [178]; The investment made by the government ensured that infrastructure required for each of these industries was created, there was a body of expertise that grew in these areas, and further private investment around them was encouraged. It must be noted that Acer grew in the area of computer hardware during the late 1980s and it may be deduced that the effect of the Taiwanese government's strategy in promoting exports and investments in related industries had a strong role to play in supporting the successful strategies that Acer adopted during that time.

B4.7 *Lessons Learnt*

We saw in the above that the three elements - value-creation, organizing principles and people processes - were all areas of focus for Acer. We saw how Acer was able to bring its various policies, processes and people together around these three elements.

Annexure C : Making Change Last

C1 *Introduction*

The last few years have seen the business environment change at a furious pace. As a result, organizations have had to adapt at ever increasing rates not only to prosper, but also to survive. Organisations cannot afford the luxury of time to adapt to new circumstances and expectations. However, even if an organization responds in a timely manner, the results are not always optimal.
Studies have been conducted to identify the reasons for these failures and the conclusions point less to improper design of structure or processes and more to people and managing the transition well. [179]. Hence, it is critical to ensure that the change process is managed carefully such that it is successful in yielding the results it was intended for. This would be possible only if the change sustains in the long-term.

Today's business leaders recognize human change as a very important part of organizational change. An organization cannot adapt to changes effectively unless its employees own and internalize the change management process. Systems and procedures, however good, cannot move the organisation in the desired direction unless there is buy-in from its employees.

To elaborate, here is a very common situation faced by many organizations:
A project such as a new information system or TQM is meticulously planned and executed. For instance, the best minds in the organization and senior members of various departments are recruited to the team. The sponsor sets out the vision clearly and remains involved in the decisions made in the project. The team members communicate well and employees are trained appropriately. The new processes kick in as planned amidst high expectation and excitement. Yet, a year later, a review reveals that the initiative was a "failure" and the returns from

the investment were low. So, what went wrong when the change team seems to have followed all the instructions in the book?

The issue seems to be that while the project steps were completed, the change was not institutionalized and absorbed strongly into the organisation. Experience has shown that long-lasting change cannot be mandated in any organisation. [179]. Therefore, this paper attempts to explore the nature of change and how the new state can be made to sustain in the organization, once the transition is made.

C2 *Different approaches to change*

As we see organisations go thru the change process, often painfully, we are able to observe that they each take a different approach to the manner in which they view and implement change. In the change process, it would seem that there is no single right or wrong method. Therefore, it may be said that the most appropriate method of change is what works for a particular organisation in a specific situation. Even when the recommended steps are followed carefully, change efforts do not seem to yield the benefits expected of them. Again, human change processes being very complex, the same change mechanisms that worked in a particular situation may not work for the same organisation in a different one [179]. It would therefore seem that what organizations have to understand and adapt are a set of methodologies and mechanisms rather a single one.

In the next section, we explore some of the current key theories of change.

C3 *Theories E and O*

Beer and Nohria [180] speak of Theories E and O, two very different approaches to organisational change.

Theory E: of the purpose of this kind of the change is creation of economic value. Most often, this reflects as shareholder value. The change is planned and is typically driven from the top of the organization.

Theory O: the change is often not so clearly defined at the start and emerges as the change progresses. The aim of this kind of change is the creation of organisational capability to implement strategy and learn from the actions taken.

In practice, both these kinds of change are relevant to most organizations and are adapted at different times either consciously or otherwise. Each of these very different approaches to change places a different set of demands on the organisation. Unless the change leaders are conscious of this difference and put in place suitable mechanisms, the cost of change may end up being very high. Needless to say, the returns would not match up to expectations either. Therefore, there is a need to balance the two approaches and integrate them in a manner in which the organisation would achieve the maximum benefit at the lowest possible cost of change.

C4 ***Incremental vs Transformational Change***

Many changes that organizations undertake are to do with improving the manner in which the processes work. Such changes take place regularly in organizations. [181] . The motivation for such change may arise from the external environment (new technology, competitor activity, etc) or from internal factors such as on-going continuous improvement programs. Such incremental change is sometimes not very visible. The change may affect only some parts of the company. People in the affected parts would perhaps find it easier to take to the new ways of working, simply because it makes better sense to do so, or because others in the same profession are doing so.

As compared to this, large-scale change takes place when there is a need for a drastic change to the organization. Once again, this may be triggered from within (such as when there is a desire to re-orient the organization to take advantage of a new market opportunity) or by outside factors such as government policy change or the introduction of a new kind of technology. Most such initiatives would have an impact across all layers and functions of the organization. Usually such transformational change would result in changes to the structure, to the ways of working, the technology being used by the organization as well as the skills required by people. It may also require a change in culture for the initiative to yield the desired result. Sometimes, the direction of the organization also undergoes a substantial change.

C5 *Managed vs. evolutionary change*

In a number of organizations, it is common to allow change to evolve over time. This approach has the advantage of giving people the time to see where the organization is headed and therefore, adjust themselves to participate in the change effectively. The change is not forced down in any way. People remain committed because of their on-going involvement in the process. However, the disadvantage of this approach is that it is a very slow process. Most organizations do not have the time required for this as they are under immense pressure from the environment, as well as their markets. In the lack of a clear direction, it is possible for the organization or its units to pull in different directions. In such situations, evolutionary change is unlikely to yield the kind of results required in today's pressure-filled world. In addition, it might not tightly align the various organizational elements with the specific objectives required to be achieved. [179]. Clearly, all literature and experience point to the need for managing the change process well and, indeed, with the utmost care.

C6 *Why change does not last*

From conversations with change sponsors in a variety of change interventions, some pointers to what organizations typically consider success have been gleaned. This is also supported by literature.

A change is deemed to be "successful" when:

- People see a real need to adapt to what is required of them
- They have the skills and tools required
- They adopt the new ways of working
- The change has been internalized and becomes part of the way the organisation thinks, without constantly reminding itself that this is a different way of thinking or behaviour
- The initiative yields the business results expected by the sponsors of the change [182] ,

Therefore, adequate attention should be paid to the factors that influence the occurrence of the above conditions. The rest of this paper is devoted to describing how this may be done. It would seem that complete organization-wide commitment to keeping the change going is most important.

C7 ***What should be done***

The steps taken to sustain change would differ from situation to situation. Some factors that go to influence the choices made are described below.

Scale of change: In organizations that undertake large-scale change such as organizational restructuring, the considerations are very different from changes that relate to a particular department or function. [179]

Change becomes apparent over time: The true results of most change efforts are not felt immediately or indeed, in the near term. In many cases, as in the outcome of good new information systems, the extent of impact can be determined only after the entire organization has started to use the information generated by the system in a manner that enables its people to take better or more effective decisions.

Measuring impact: Operational decisions and impact are more easily recognizable and measurable, whereas strategic impact is a lot more difficult to assess or indeed, to observe. Organisations are complex webs of people, processes they perform as well as the infrastructure they use including information, its culture and the strategic choices it makes. All of these aspects are tightly interwoven, with the result that any change in any one of the aspects is bound to bring about a change in all the others. Thus, effectiveness of any change initiative becomes apparent only if all these different areas are taken into consideration while defining the change program and putting in place specific steps to manage them. It is therefore also very difficult to attribute clearly quantified benefits to a specific part of this complex interwoven web of change. In our example of the ERP implementation, it is often extremely difficult to attribute the volume of benefit brought about solely by the introduction of the ERP alone. It would become visible only when people adapt the new systems completely, the culture supports the transparency of information and the structure and reward systems are in line with the new behaviors expected of the people in the organization.

Demonstrate benefit: Where there is organisational structure change, people do not always accept it as being conducive to them. This is particularly true in Indian organizations where the designation or role in the organization is considered a measure of a person’s performance or success. During the period of uncertainty and turmoil, the affected people tend to be very cautious in accepting the change. During this trial period, we may find there is no hearty acceptance or embracing of the change. It is only once things settle in and people start to see tangible outcomes that real acceptance begins. Therefore, it is important for change teams to not merely talk about the new changes and their impact, but also to support the transition and help people understand it through demonstration of the outcomes.

Ruthless prioritization of initiatives: Very often, organizations tend to take on many new initiatives. The attention of senior management is usually divided between all of these, as almost all such tasks are undertaken with specific strategic goals in mind. Further, when there is internal competition, allocation of resources, both people and financial, must be done properly. [180]. If not, the result would be that more than one of these initiatives would not give the results that are expected of them [183]. Therefore, we are convinced that organizations must take on as much change at a time as they can comfortably manage for themselves.

There are examples of organizations that are unable to cope with a single project, while there are those who have taken on many and still succeeded in some manner. Let us take the case of a company with a long history, which invests, in several different projects at the same time. At any given point of time, there are a number of parallel initiatives it undertakes to help improve its operation. There is no evidence that the slow and sure manner of working leads to their being able to undertake fewer relevant changes at any given time. The key here seems to be the degree of expectation the organisation has, which, it must be recognized, is itself subject to modification over time.

Once an organisation understands its capacity for a particular type of change, it can then work out how much of change it can achieve in the limited amount of time it has at its disposal. [184] This process helps the people within have a clear expectation of how much change they are likely to be subject to and are able to adapt faster. There is a risk here, however, in that such companies may not take on targets that are ambitious enough.

Inter-relatedness of multiple initiatives: A critical success factor is being able to understand the interconnectedness of all of these and manage them well. This has been referred to as an integrated change agenda by Beer and Nohria [180].

Almost all medium to large-scale projects would impact most of the organisation. Smaller changes may affect some or a large part of the firm. Even when multiple initiatives are undertaken that are seemingly unrelated, there is usually a degree of dependency between them. This may be at one end, because of competition for resources and at the other, overlapping boundaries.

Let us take the case of an FMCG company undertaking a branding exercise. The HR department in the meantime also launches a performance management system. While the former is externally focused, on the market, the latter is essentially internal. However, for the performance management system to yield any meaningful results, it must be aligned with the vision and objectives of the company, which would undergo a change with the branding exercise.

Similarly, the branding may be about promising a level of service to the customer. The internal systems must support this brand promise. In this example, the branding exercise would automatically lead to the setting of performance parameters for the concerned job roles. However the reverse is not true, that is, the performance management system could be put in place without any branding at all. Nevertheless, when they are run concurrently, the dependencies between them must be taken into account and steps taken as appropriate to integrate them.

Clear vision: Clarity of vision and the expectations from the initiative being undertaken are extremely important. In the absence of this, the people are likely to pull in many different directions at the same time. [179] A vision is not merely a statement of a dream. The meanings associated with this by the organization are more important. So are the values that the people feel are important to them personally. [180]; [183]; [185]. They set the base for the guiding principles that the vision comes with. These principles define how the organisation will carry out the tasks it is supposed to. Further, it is important that the vision be a stable one [184]. Personal vision and organizational vision must be in consonance for people to be motivated to commit themselves to the new direction – and remain committed to it. The vision should have the ability to energise people to make this long-term commitment.

Let us consider the example of a large public sector oil company in India. In preparation for the de-regulated scenario, the company 4 years prior to the introduction of the deregulation, decided to prepare itself for the likely changes in the environment. While the end-point was not clearly visible, the organization decided on a broad vision for itself. The new structure was then introduced. As people prepared to adopt the new structure, senior management invested in creating a learning environment within the company. One of the most important steps in this journey was the creation of a shared vision. This process helped evolve a clearer picture of the future, with a lot of participation at all levels of the organization. Specific initiatives were put in place, over time, such as branding, accountability, and IT systems.

“What’s in it for me?”: People adapt to new situations when they are motivated to do so. They have to relate to the changes being asked of them, and be clear that they stand to gain and will not lose if they do so. Therefore, as early as possible, it is necessary for the persons who are expected to be affected in any manner to know what is required of them and how they will benefit, both as individuals and as a company [184]. In order to bring this cohesion between the individual and the collective, the shared vision acts as an anchor, as we saw.

Leadership: In the case of all large-scale change, the role of leadership is very important. Top management in such cases provides visible evidence of the seriousness of the organization towards the change proposed. In order to do this, it is not merely a matter of stating support for the change the organisation is undertaking and the team charged with the responsibility of making it work. Senior management have to participate actively in the entire cycle, providing inputs, talking with the people who will be affected, and themselves embracing the change. [184] Depending on various factors such as the nature and extent of change, or some specific issues that are to be resolved, senior management may need to spend less or more time on each project. However, it is always essential to show that the organisation values what is being done.

Building commitment to change: In managing transition, one key factor is deciding between generating sufficient commitment to change within the organization and forcing the change down. Often, when there is a crisis, esp. those driven by external factors, there is not enough time to build all-round commitment. In such situations, it is alright to force people to comply with the change required of them. Usually, in change management methodologies, there is a step that determines the various stakeholders and their level of desire for change. [186] During this step, the team would decide on how far to push for commitment and when to move over to compliance.

It is important to have the change leader or sponsor agree with the norms set, review progress periodically and demand compliance should that be necessitated. In most significant change programs, there would always be a group of people who would stand to lose if the change does go through to completion. This group, then, would typically resist. Depending on their position and standing, they could also influence others to resist as well.

Role of culture and consonance with values: Just as different people have different styles of dealing with situations, the culture within the company also determines how the change situation would be dealt with. Also important are the management style that people are used to, both managers and employees. The work unit climate also determines how readily people would adapt to the new ways of working. [187]

A company in the commodities business insists on building consensus. Even though this may be a much slower way of working, even though it means putting up with immense pressure from the external environment, the organization has chosen to work by building consensus amongst its leaders. In that way, they believe, the changes they undertake have a lasting effectiveness.

During some very tough times, the organisational philosophy and value system, which say that the individual must be respected and nurtured, is adhered to. The organization has seen itself evolve and change. To an external observer, it may appear that they are still rooted in old ideas and ways of working that are not what are required by the business challenges of today. However, some changes have been deliberately introduced and gradually pushed into the company. People who have worked with this company over time, do believe that many small changes have been building up over time. Top management believes that ideas can be introduced and drastic challenges put in place, but given the high level of commitment people have to the company, they will undertake and go with the changes if they see value in them, both for themselves and for the organization as a whole. They do wait to build consensus on most of the larger changes required. This, they believe, results in more lasting change and has, indeed, been their experience. It is hoped that as they get more used to change, they would be able to accelerate the pace of future initiatives. Consonance between the change process and expected behavior, with the value systems that the organisation holds is critical. A change that demands behaviors contrary to these values will either never take place; or if it does, will create such a high level of turbulence that its results may even be counter-productive.

We turn to one of India's most respected business houses. One of the group companies with a legacy of well over a hundred years has undergone a massive transformation over the last three years. The company has grown around value systems that the employees still hold important to themselves. While downsizing, this company ensured lifetime pay for the employees who were asked to leave, and assisted them in setting up businesses for themselves. Many of the employees, thus, continued their association with the company that had employed perhaps three generations of their families. This of course called for a large outflow of money, but the senior management considered it a very important part of the ethos of the firm and what had made it a success. This turnaround story has been hailed as a success.

Removing resistance: Ideally, to ensure that change lasts a long time, all the constituents must buy into it and act accordingly. As we saw, this could consume a lot of time, which the company could ill afford. Hence, in change management, it is recommended that the change leader should identify the people who are resisting or are likely to resist, as soon as this becomes apparent. The appropriate person should then convince these resistors. Special incentives may be offered to gain their support. Every effort would be made to enroll key members of the organisation in the change effort. However, if the resistance persists and time is running out, those who are inhibiting the change may be moved from their position of influence. [188]

Literature and recent experience seem to suggest that in Western business, there is a tendency to remove people who are not seen as contributing to the change or complying with it. [180]. There is also recommendation that upto 60% of the top management team should be changed to bring in new ideas, to ensure there is acceptance, etc. In Indian companies however, the need to build consensus is higher. Therefore, this kind of drastic action may not always pay off. There are, of course, situations where such a choice is made. Again, a new management team is not necessarily the only way to bring in new ideas. Consultants and external benchmarks are just two ways of bringing in a fresh point of view. In addition, when new people are brought in, the time required for a new team to come together, understand each other and set behavior norms would have to be taken into account while planning for the change process. The new team itself requires time to set the direction and pace of change. In India, most companies would resort to replacing key managers only in extreme situations. Depending on the situation, there is then a tradeoff between expediency and the composition of the team.

Retain the focus on desired change: Change is a never-ending process. [183]. Long after the team has disengaged and the project complete, the change continues to take root. The sponsor and those concerned must keep the stated objectives in clear focus right through the project, so that there is adequate recognition of what is really happening within the company. The focus must be retained until these objectives are achieved. Sufficient resources must also be devoted to managing the process. It is critical that the next few steps are clearly defined before disengaging from the initiative. Thereafter, the sponsor must continue to focus on ensuring that the change is indeed institutionalized. In most initiatives, the team is disbanded once the planned tasks are complete and the employees suitably trained and equipped to deal with the changes. As we just saw, though, the change continues to build up over time. Therefore, a lot of energy and focus is required to sustain the change, in fact, in many cases, just as many resources as were put into working out the details and implementing the change project in the first place.

Emergent change: Change is a fact and all organizations, left to themselves will continue to change and evolve over time. This would be the normal process of the people in the organisation learning to cope with new technology or adapting to new requirements imposed by law or their learning from the way others around them work or respond to different situations. They learn from industry practices, they learn to do things more efficiently, even in their existing jobs. People innovate on their own to make things more interesting for themselves. This is part of the motivation that drives them to modify the way in which they respond to situations or even carry out their daily tasks. Such change stacks up to become evident over a period of time. This emergent change is inevitable. Here, it is not that any member of the organization consciously fashions a change initiative to meet specific challenges or requirements. [179] ,. We have found in implementing systems that the first time the new processes are introduced, the organization and people take a while to adapt to them. Often, a lot of resistance is visible and needs to be managed in a conscious manner. However, once familiarity sets in, the same people tend to adapt the system innovatively and apply it to their normal workday lives. We also see emergent change, as people adapt the system to do things it was not originally intended to do. This is a sign that the new ERP has been accepted in the organization.

This process must be allowed to take place. However, if the leaders want to nudge the organisation in a particular direction, they may do so. Thus, even emergent change may be "managed" in a limited manner to move towards a generally desired direction. Finally, if the sponsor or change leaders are conscious and watch the changes emerging, they can consider moving the organisation to the next level of maturity or evolution. Thus, emergent change triggers off the next wave of managed change.

In the oil company that we looked at earlier in this paper, each of the separate initiatives was managed carefully. There was, however, also emergent change that was taking place quietly in the background, as fresh ideas came in and greater clarity was brought in. Consultants as well as designated staff members brought in ideas and benchmarks from other global oil companies. All this helped put in place a measurable set of objectives for the organisation to move towards.

C8 ***Conclusion***

Unless human change is managed well when businesses undergo transformation in today's fast-paced environment, initiatives undertaken by them are not likely to yield results. It is not sufficient that the change is managed throughout the implementation process itself.

Senior management and change sponsors must stay focused on taking the change through until it is institutionalized. This would call for appropriate investments to be made over and above what was planned for the project itself. Only if the post-implementation phase is managed carefully, will the change last in the organisation and become part of the way people think and act.

This paper makes some recommendations for what can be done to manage this important phase of change initiatives. Organisational patience is important as results start to flow in after a while. It is important that the team demonstrates benefits as soon as possible and supports the transition. The focus should be on those initiatives that are likely to yield better long-term results. When multiple initiatives are undertaken, the relationship between these must be understood and planned for. A clear vision will serve to energise and keep the entire organisation focused on what is to be achieved. This must be consonant with the personal visions that people have for themselves. The culture and values that the people embody must support the new ways of working. Effective leadership goes a long way to building commitment to the change. It must be understood that resistance will always be there and the change team has to find ways of overcoming it. Finally, emergent change constantly takes place in the background. Management must keep an eye on this so that new opportunities can be picked up for managing the change more effectively. This would go towards building greater agility, so that the organisation is more ready to take on future change challenges.

Annexure D : Resilience in Action

In this annexure, a supplement to Section 3.11.4 (Resilience), the author studies examples of resilience described in literature. The cases studied are Singapore as a nation, Korea in the aftermath of the economic downturn, coping with natural disasters and, a health-care provider.

D1 *Singapore*

One country that has been seen as remarkably resilient is Singapore. The government has had a significant role to play in creating a culture of resilience among Singaporeans. One of the ways in which this has been done is by creating a "permanent sense of crisis". [137] Historically, since the Singapore was largely built by immigrants from different parts of Asia, who endured considerable hardship in building this nation, it is observed that this difficult struggle resulted in the people being able to tide over adversity. When faced with challenges, the leaders have typically sought to look into the future, developing a clear vision of what the future would look like and building the capabilities required through a series of interventions, policies and mechanisms that reflect their resolve to get over the situation.

A few of these are:

- creating a sense of unity amongst all Singaporeans
- ensuring adequate bonding and goodwill amongst many races, who live in Singapore
- self-help groups for each of the ethnicities
- improved productivity through better skills, automation and high levels of investment

Further, the author also points out that with some of the factors that resulted in creating a culture of resilience, becoming less relevant, perhaps, the younger generation might not be as resilient as older Singaporeans. One of the lessons that we can learn for organisations and societies is that there is a need for constant reminders that will enable the employees to continue to build resilience within themselves as individuals and as teams.

D2 ***Korea***

The paper by Ungson, et al [189] studied the financial crisis that hit Korea, and highlights the lessons learnt as Korea bounced back to being one of the best performing economies of the world. There were some early warning signals; it has been argued that usually a crisis situation is preceded by some such signals, which often go unnoticed or are ignored. One criticism leveled against Korea's growth was that, while inputs such as labour and capital increased dramatically to sustain the level of growth of Korea manufacturing, there was not adequate usage of technology. Another issue was that the large conglomerates (chaebols) did not have any major competitive advantage, as they were heavily diversified. The importance of government policies, which did not keep pace with the changing economic and global situation is also highlighted.

A national goal for Korea, declared in November 1994, was that Korea would become a global country by raising Korean standards in all chosen areas to the levels of the world's advanced economies. After the crisis occurred, Korea put in place several actions, both short-term and long-term. Some long-term areas were a focus on small and medium businesses, helping them sustain under constrained situations and development of technological expertise. At the same time, restructuring of chaebols and government policy also helped the country get over the crisis. A key learning from this case is that resilience is about being able to sense, sufficiently early, the signs of impending trouble, and be able to quickly organise with a series of both short-term and long-term actions to be able to deal with the situation or diffuse it even before it becomes a crisis.

D3 *Natural disasters*

Alexander has dealt with disasters and the various actions that have gone into dealing with these large-scale disasters. A couple of lessons that can be learnt from the manner in which countries, communities and international agencies have dealt with the aftermath of large disasters are that it is important to build preparedness into the community and have proactive mechanisms to deal with dangerous situations even as they become imminent. [190] Traditional societies have been known to be resilient over the course of several decades or centuries. Gaillard's paper explores learnings from the manner in which these societies cope with or face natural hazards. [133]

Resilience has been described as the capacity of the system to absorb and recover from the occurrence of a hazardous event. There are three levels of societal resilience:

- Resistance to change
- incremental change at the margins
- openness and adaptability

Resilient societies, it is found, are able to continue with the same social order, as was there before the disaster or modify themselves by accepting some degree of change in order that they might survive.

Gaillard talks about four aspects of organisations:

- latitude or the maximum amount by which the system can be changed before it loses its ability to recover
- resistance-ease of changing the system
- precariousness-how close the current system is to a threshold limit
- panarchy – cross-scale interdependencies and influences

Clearly, resilient organisations manage themselves suitably on all these dimensions so that they are relatively unaffected by crises.

The paper concludes that, while there is no single universal framework to measure the capacity of resilience of traditional societies, what is important is to understand local variations of the various factors such as the nature of the hazard, the intrinsic social condition of the group, the geographic setting and the rehabilitation policy of the government. Similarly, with organisations too, while there are common pointers and factors that enable the organisation to become stable and resilient, there is perhaps not a single framework that applies to all organisations at all times.

D4 *Health-care provider*

There is much to be learnt from industries in which employees are constantly being pushed into situations where they have to learn to take split-second decisions that may have wide-ranging implications. One such industry is healthcare. Here, staff have to be empowered to take very important life decisions without sufficient data, training, preparation or resources. In such situations, people have to learn to be very resilient in terms of designing and implementing suitable solutions, and have to learn to do this without too much stress for themselves.

Six factors have been defined by Mallak, [191] as being critical to building resilience in the healthcare industry.

- goal directed solution seeking
- avoidance/ scepticism suggests that people should back off from problem and chaotic situations
- critical understanding of the available information
- role dependence, and the ability to fill another team member’s role
- reliance on multiple sources of information

- ability to access resources required to resolve the crisis

From the above, he describes three characteristics of resilience:

- Bricolage :

  This is about being able to remain creative while under pressure, the ability to bring whatever resources are required and suitable fight / flight reactions in crisis situations.

- Attitude of wisdom

  The attitude of wisdom is described as being able to balance past experience with new data that the person is confronted with (past experience, scepticism, curiosity and reliance on single or multiple sources of information, indicators of wisdom).

- Virtual role system

  This is about working relationships and providing an environment in which the team can continue to perform even though one or more members are absent. Thus, from an organisation point of view, managers have to ensure that team members understand their roles, the roles of others, building the ability to take on the roles that others play, within the overall vision that provides direction to the team.

In order to help train the organisation to respond as described, the hospital chose to use “Second Life”, in which the roles could be played out without having to create specific situations in the hospital for simulation, which would inconvenience the entire setup. Using “Second Life” technology and ‘avatar’ – based roles for each of the staff, the hospital could allow them to experience these situations and teach them to better handle them, rather than merely depend on the procedure manual or documentation to convey these actions. In a global organisation, such tools become even more important to bring in uniformity and responsiveness across all the geographies it operates in.

Annexure E : Major interviews conducted

Table 4: Interviews conducted - Company A

Date	Person interviewed	Main points discussed
5th December 05	CEO	Vision of the company
11th April 06	CEO	Alliances
19th August 06	CEO	Strengths and transition required
9th November, 06	CEO	Global operations
7th December 06	CEO	Competition and metrics
January 07	Other members of Board	Global aspirations
15th February 07		Brand value and resilience
7th March, 07	CEO	Culture for global success
11th April 07	CEO	Challenges of global competition
18th May 07	CEO	Innovation
22nd May 07	CEO	Technology and changes
7th September 07		Visit to factory
December 07		Visits to dealers, retail outlets

Table 5: Interviews conducted - Company B

Date	Person interviewed	Main points discussed
7th April 06	CEO	Vision of the company
June 06	Head Knowledge Management	About the company
June 06	Head research and development	Customers and people
5th September 06	CEO	Strategy
8th October 06	Head Knowledge Management	Managing capability
10th November 06	Head Knowledge Management	Organising
23rd November 06	Head research and development	Culture
December 06	Employees	People and organisation
February 07		Visits to office sites
19th May 07	Head Knowledge Management	Innovation
21st May 07	CEO	Challenges, resilience

Table 6: Interviews conducted - Company C

Date	**Person interviewed**	**Main points discussed**
11th October 07	CEO	Vision of the company
28th November 07	Head of strategy	Global strategy and CSFs
8th August 08	CEO	Challenges, strategy elements
12th September 08	Head of strategy	Technology
3rd November 09	Head International Business	Global operations and resilience
November – December 09		Visits to office
13th January 10	Head of marketing	Brand, alliances
January - February 10	Retail outlets	Market, customers
February 10	Employees	People and organisation
2nd May 10	Head International Business	CSFs for global markets

Table 7: Other Companies – exploratory and information gathering interviews

Date	Person interviewed	Main points discussed
12th April 06	Business Head	Alliances
16th October 06	Founder and CEO	Vision of the company, meaning of globalisation
10th November 06	CEO	Vision of the company, meaning of globalisation
6th September 06	Head of strategy	Relevance of globalisation
5th January 07	Head International Business, CFO	Global vision and drivers

Annexure F : Research Protocol

Going Global Successfully: Strategies for Emerging Indian Multinational Companies

F1 *Objective of the Proposed Research*

The proposed research aims to **understand the various dimensions in which Indian companies shape their strategy while going global and the manner in which they approach these dimensions.**

Some questions that this research would seek to address are:

- Understand the issues in going global
- Identify the challenges for Indian companies to assume a leading position in global markets and the manner in which they are addressed
- Develop a model that can be used by Indian companies that aspire to grow into global corporations

F2 *Vision*

a. What is your company’s vision?
b. Please explain how this translates into the company's strategy
c. What are the critical success factors for your company to achieve this vision?
d. What do you consider the strengths of the company?
e. What changes have you seen in your competitive environment over the last 5 years?

F3 *Motivation for going global*

a. Why did the company feel the necessity to “go global” ?
b. What is your vision for your company as a global company?
c. Why was it necessary to add the global market to the company’s portfolio, esp given the leadership position the company already has in the Indian market?

F4 ***Participation in global markets***

a. How would you describe globalisation?
b. Have the reasons and motivation for globalisation changed over the last 5 years, and esp since last year's crisis?
c. How do you define a "global" company?
d. What are the attributes of a global company and how are they different from a domestic company?

F5 ***Global Strategy***

a. Which countries has the company elected to participate in?
b. How different are these markets?
c. In what aspects are these differences apparent?
d. Do you follow different strategies for each of these countries?
e. What are the elements of the company's global strategy?
f. What was your mode of entry in different geographies - alliances or product introduction, for example?
g. What drove your choice of these models or mechanisms?
h. What extent of differentiation do you bring in across markets?
i. Please describe the company's global journey over the last few years in the following areas:
    i. Product offerings/ innovations
    ii. Retail/ market formats
    iii. Manufacturing
    iv. Sourcing
    v. Talent
    vi. Brand
j. Who are your key competitors, and how does the company compete with them?

k. How did / do various external factors affect your choice of strategy? Please describe these external factors, and their influence on your strategy.
l. How did / do various internal factors affect your choice of strategy? Please describe these internal factors, and their influence on your strategy.
m. Of the strategies adopted by your company to become a successful global corporation:
    i. What are the areas that have been successful? In what way? Why?
    ii. Which ones are less successful than expected? In what way? Why?
n. Which companies would you benchmark against and for what aspects? How would you describe your company's standing?
o. To what extent have these benchmarks contributed to your strategies?

F6 ***Challenges***

a. What are the challenges of global participation
   in developed countries?
   emerging countries ?
b. What steps are you taking to counter these challenges?
c. Do you consider that being an Indian company makes it harder to compete globally? If so, could you please describe in what way?
d. What do you consider most important for your company in such an environment?
e. Very often, Asian companies are faced with "liability of origin" issues (ie an Asian brand / company is associated with low cost alone). Do you find this in your business as well? In what areas to you find such perceptions? How do you overcome these disadvantages?
f. What steps are you taking / planning to take, to move the perception from that of "India is low cost" to one of "India delivers higher value" or "your

company commands a premium" on a consistent basis? How different would it be in different markets? What would be the basis for this difference in perception?

g. Would you be able to go into another market with your own brands? What is required to make them acceptable? What mechanisms do you follow in other markets (for example, customer testimonials or celebrity endorsements?)
h. What are the real issues in terms of your products finding acceptance globally?
i. "Confidence in Indian industry today is much higher than it has even been". Is this your perception as well? What is required to turn this confidence into real business results?
j. Does the nature of business have anything to do with level of confidence (ie is it different for different industries, say for example, software companies vs manufacturing)?
k. In what areas is your company facing roadblocks? (eg, scale, quality, technology, attitudes, etc) What are these and what is the impact?
l. To what would you attribute these roadblocks?

F7 ***Success Factors***

a. What in your opinion are the measures of success in global markets?
b. Are they different from domestic market leadership?
c. What are the measures of success that would signify your company becoming a successful global corporation?
    i. Now
    ii. In the next 2 years
    iii. In the next 5 years
d. What are your critical success factors in the areas of
    i. Product / service offerings
    ii. organisation, including structure
    iii. culture

iv. leadership
v. talent
vi. brand and marketing
vii. manufacturing
viii. alliances
ix. any other

F8 ***Energy***

a. What is your company's vision?
b. What strategies does the business adopt?
c. How are they connected with the vision?
d. How did you choose the areas that you would focus on?
e. What are these areas? Why do you consider them strategic?
f. Which areas do you have strengths in? Which other areas do you plan to focus on in the next 3 years, and why?
g. What is your strategy to build on these focus areas?

F9 ***Innovation***

(These questions may be used as appropriate for any aspect of culture)

a. What is your view of innovation?
b. How would you define innovation in your industry?
c. What areas should your company innovate in?
d. What processes have you put in place to tap into innovation?
e. Product innovation:
   i. In order to meet the requirements of customers, it must be necessary to sometimes create new products. How often is such a need felt?

ii. Please give 3 examples of innovation in product, process and organisation, which you believe helped you gain an advantage in the global market.
iii. How do go about managing new product development, for example, do you go back to your technology partners? How does the process work?
iv. Some examples of situations where this was done would be helpful.

f. Brand/ market innovation:
   i. Who are your main competitors?
   ii. What strengths do they play to?
   iii. How well established, are they?
   iv. What are innovations are you carrying out in this area?
   v. How does it fit in with the overall strategy of your company?
   vi. What other areas of the organisation need to be innovative in order to back up such innovative efforts in branding or marketing?
   vii. How is this being done/ planned to be done?
g. In comparison with other companies that you consider your main competitors in the global market, what are their innovation practices (that you are aware of)
   i. How do your own practices differ from those of these competitors?
   ii. What advantages do your competitors have, because of their innovation capability?
   iii. What advantages do your practices give you?
h. Within your company, who is responsible for innovation? For example, is it the product R&D group that is responsible for innovation?
i. Do you see the need to create a culture of innovation? What steps are you taking for this? Please give examples.
j. What in your opinion are the most important factors for creating an environment of innovativeness?
k. How important is in-house innovation, as against looking for it outside?
l. How do you see the role of top management in innovation?

m. Are innovations in your company driven by top management? Are innovation initiatives successful if driven by top management alone?
n. Very often in smaller organisations, the family or core team drives most of the innovation in the company. As you spread globally, would you like to see this capability/ responsibility being more spread-out within the company? What steps have you been able to take so far, and what has the progress been? What are your future plans?
o. What in your opinion are the top characteristics of an innovating organisation? How would you know that your company is one? How would you distinguish between a less innovating company and one that does more of innovation?
p. Innovation as key to global success – rank the areas that are important for your company, and explain why. A few examples would be helpful.
q. Do you see the need for radical as well as incremental innovation? Where would you see each of these types playing a role? Examples
r. Do you see innovation as a managed process, or an emergent one? How does it work in your company?

F10 ***Organisation***

a. How do you staff your operations in various countries?
b. How important is it to have local staff managing in each of the countries? How do you manage to keep the organisation together despite being spread out across the world?
c. Would sending in staff from other parts of the world help at the front end, esp as an aim of globalisation is to learn across countries/ markets?
d. Please describe some of your experiences in organising for global leadership.

F11 ***Culture***

a. What kind of culture is required for a global company?
b. Is this any different from domestic needs?

c. What steps are you planning to take to create this kind of culture?
d. What is the importance of diversity for your company at its current stage of growth? How do you define diversity? What do you think a diverse team will do for your company in achieving global leadership?
e. Are you hiring people from different countries to bring this diversity in? In what other ways are you bringing diversity in?
f. What results has this action shown? What other steps have you taken? In what way are you able to bring the diversity to bear on the culture in the company?
g. How far has your own journey in creating a global culture progressed? What are your plans?
h. There are broadly two types of innovation – radical and incremental. I think these are applicable in the same organisation, under different circumstances. Would you agree? Could you please give me some examples?
i. If this is not true (ie you think that there is one predominant type of innovation in any given organisation) then could you please explain why you feel so?
j. What kinds of innovation do you practise? Under what circumstances? How is your approach to each of these styles different?
k. How much of the innovation has to be undertaken within the company in order to build/ maintain global leadership / leadership in the chosen markets?
l. Do you see innovation in your company as a managed / structured process or one that "emerges "?
m. To what extent do you agree with the statement "China for manufacturing and India for services"? How critical do you think manufacturing is in the overall context of the Indian economy and the value chain?
n. Do you collaborate with other Indian / Asian companies for innovations? How does / would this benefit the companies (or not benefit the partners)?

F12 ***Investment***

a. What investments are required to be made to be able to compete effectively in the global market?
b. Can you give some examples of what it took to enter a new market, incl the investments made, financially and otherwise?
c. How can investment in assets be kept to a minimum and yet achieve the leadership position that it desires?
d. How should capital be deployed in various the markets the company operates in?
e. We know that there is a need for a huge amount of patience for these investments to pay off. What has your experience been?

F13 ***Capability***

a. Which identified areas do you have strengths in?
b. Which other areas do you plan to focus on in the next 3 years, and why?
c. What is your strategy to build on these focus areas? Please give some examples in order to illustrate where your company is on this.
d. Do you think the employees in your company need a different mindset or attitude for global operation vis a vis being an India-focussed company?
e. Can you please describe what changes are required to be brought in?
f. How does/ will it help the organisation, once these changes you are driving are brought about?
g. What steps are being taken?
h. What went into building the company into a credible global brand?
i. What kinds of skills are required for global success, especially the new skills required and how is the company creating these?

F14 ***Trust***

a. Can you talk a little about why trust is important in a globalising organisation?

b. Why is trust important for speed of business and for decisions to be acted upon?
c. It is relatively much easier in a family business or a small company, where the family members or leadership team are close, to trust one another and their actions. How does this take root beyond the core?
d. What steps are you taking?

F15 ***Collaboration***

a. What areas did you build alliances in and of what kind were they?
b. Why are they important for you in the global context?
c. How can an Indian company succeed through building partnerships?
d. What are the indicators of the success of a partnership?
e. What were the factors that resulted in success and what were those that caused failure?
f. Please relate some of your experiences

F16 ***Resilience***

a. What is your company's definition of resilience?
b. Do you feel your company is resilient enough to grow globally?
c. How important is learning for global resilience?
d. How can learning be institutionalized to enable global agility?
e. What risks do you foresee in the global market? How is the company building resilience against these risks?
f. What processes or mechanisms does the company have to recover from unforeseen circumstances?
g. How different is the risk appetite required in the various markets you are operating in? Does this drive your choice of markets or your activities in them?
h. What is your view of agility? How would you define agility for your company as it goes global?

i. It is often said that the agility of smaller organisations as compared to several other much larger organisations is chalked down to the ability to think in an entrepreneurial manner and take decisions fast. How would this capability be affected as you grow globally?
j. As an organisation that is spread out globally, what are your challenges in taking quick decisions? How different is this from your experience as a domestic company?
k. What steps are you taking to continue to remain agile even as you expand globally?
l. In what way is governance different from that followed in the domestic market? How different are the various countries and their legal needs?

F17 ***Renewal***

a. Is it important to review the strategy and progress of the company from time to time? Can you please give a few examples of what was done and what the outcome was?
b. How can constant change be managed effectively?

F18 ***Integration***

a. To what extent is it important to understand local customer tastes, requirements and culture? Please share a few experiences.
b. What steps did the company take to gain this understanding?
c. How did the strategy change based on such insights?
d. In what ways is your company integrating with the local environment and culture of the various markets it is participating in?

F19 ***Future plans***

a. What is the roadmap going forward from here?
b. What are the business challenges that your company faces and is likely to face now and over the next few years of global growth / competition?

c. What steps does the company need to/ is taking to meet these challenges? Could you please rank these in order of priority / impact?
d. In your opinion how will the confidence of Indian industry change over the next few years? Is this important for global success?
e. What lessons can Indian companies derive from your experience, to enable them to grow into corporations that sustain a leadership position in the global market?

Annexure G : References

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