

Research Institute for
International Management

 University of St. Gallen

*"Indian Companies Going Global:
Challenges and Opportunities for Indian and European Companies"*

Internationalisation of Indian Firms: Patterns and Implications


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India Inc goes global

- Rapid globalisation of Indian economy and firms
- Larger Indian firms have seen foreign sales rise 214% (2004-08)
- Exports growing around 30% p.a. last few years
- High outward FDI, which at USD 18 billion overtook inward FDI in 2007
- Examples: Tata takeover of Corus, Jaguar Land Rover; Reliance takeover attempt of LyondellBasell, etc.
- What are implications – for Indian companies and for Western competitors?

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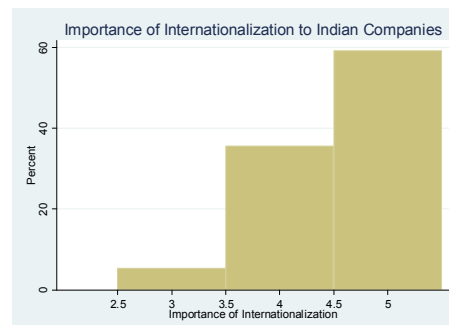
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Present study

- Aim: Study the internationalisation process of Indian companies
 - Strategic internationalisation issues
 - Organisational transformation and “excellent” forms of organising
- Method 1: Survey of (76) larger Indian internationalising companies
- Method 2: Case studies at three of the most successful Indian internationalizing companies
- Method 3: Examine performance implications of internationalisation

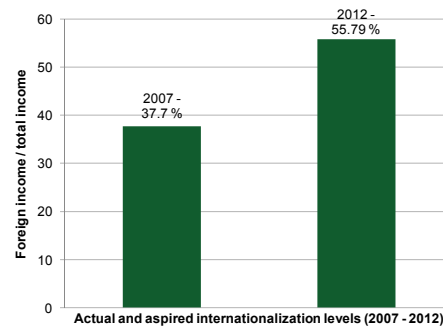
Internationalisation is strategically important for Indian firms

- Mean reported importance of internationalisation: 4.54
- Over half of respondents gave the highest “5” rating
- Not a single company rated internationalisation below 3



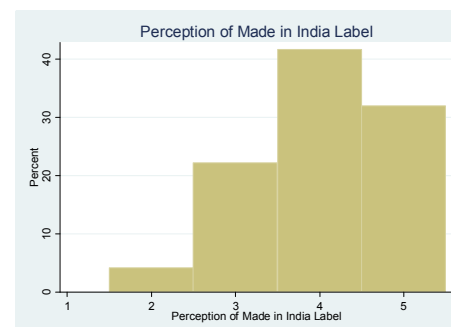
Aspired levels of internationalisation

- Surveyed companies had average foreign income to total income ratio of 38% (2007)
- Aspired level in five year: 56%
- Underlines Indian companies' high international aspirations



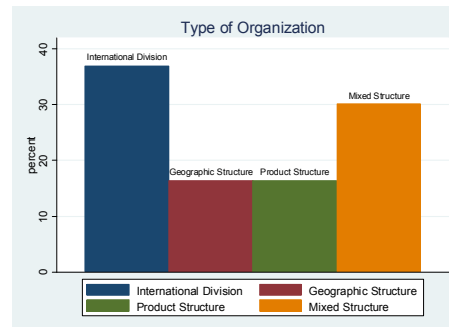
Made-in-India label perceived as asset

- “Made in India” label still associated with negative perceptions a few years ago
- Today, respondents consider the “Made in India” label as asset
- “Liability of Indianness” appears to be changing to “Proud to be Indian”



Organisation of international activities

- Majority of Indian companies organised international operations by international division
- This is typical at early stages of internationalisation
- Global geographic and global product structures still less preferred



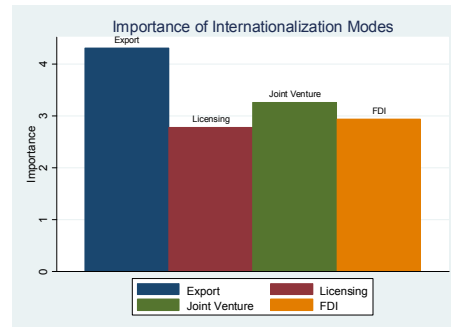
Competitive drivers of internationalisation

- Low-cost still considered important advantage
- However, respondents rank superior product quality and organisational skills as even more important advantages
- If true, this suggests that Indian firms are moving up the competitive value chain



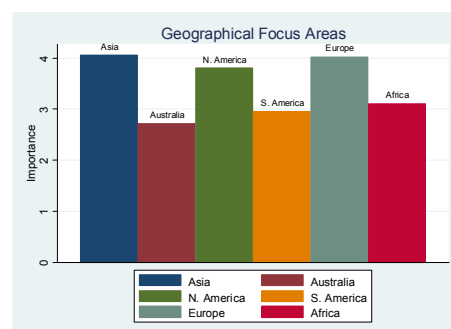
Exports most favoured internationalisation mode

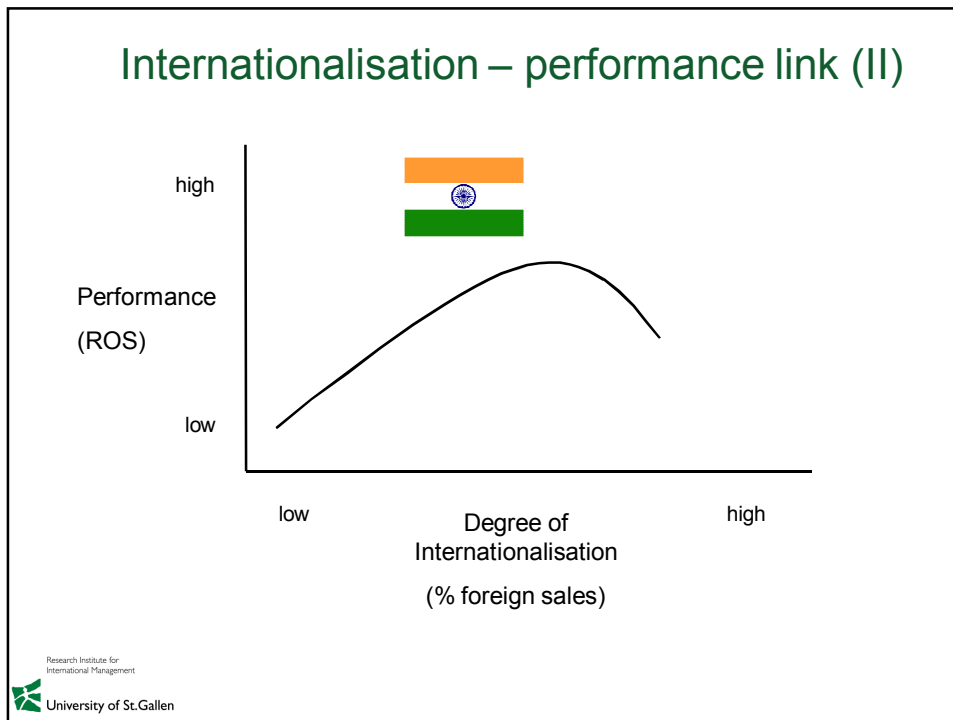
- Exports still most favoured internationalisation mode
- Joint ventures, licensing and foreign direct investment are ranked as "neither important nor unimportant"
- This suggests
 - Indian firms' technological advantages still modest
 - Indian firms focus on low-commitment internationalisation modes



No geographical specialisation: Asia, Europe and North America all "important"

- Asia, Europe and North America all ranked as important
- Europe slightly larger share of Indian trade and FDI than North America
- This suggests:
 - As yet no geographical focus
 - Yet geographical proximity and emergence of China as trading partner underscore importance of Asia





Conclusion

- Indian firms are rapidly going international
- “Made in India” no longer liability -- increasingly asset
- Indian firms are moving up the competitive value chain
- Asia, Europe and the USA equally important regions
- Increasing internationalisation boosts Indian firms' performance
- Implications for European companies: Indian competition will increase – in Europe, North America and Asia

Many thanks for your attention!

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