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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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- Garg Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on July 05, 2011 http://epw.in/user/viewabstract.jsp

INTERNATIONALIZATION OF INDIAN BUSINESS: DRIVERS AND CHALLANGES

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ABSTRACT

Globalization is widely seen as a dominating phenomenon of current century encompassing worldwide integration of financial systems, trade liberalization, deregulation and market opening resulting in a global market and patterns of industrial development. It has created a more broad and competitive market across countries due to convergence of production and industrial patterns. As a result firms need to have competitive advantages that are globally viable rather than domestically. The rise of MNC enterprises has been attributed to efficiency advantages in the management of inter-dependencies concerning know-how, reputation, the value chain and marketing through internationalization. The benefit of internationalization depends on ownership capabilities. The growth in China and India has led to emergence of new breed of MNC's. As a result of liberalization policy - Indian economy witnessed dramatic growth, changes in domestic market and firm activities specifically in relation to overseas expansion strategies. Indian firms augmenting existing skills in production capabilities and process R&D by acquiring technology focused firms in advance markets. Paper explores patterns and motives for internationalization by Indian firms and investigates different strategies adopted by Indian firms to internationalize their operations. Initially paper gives brief of some success stories of Indian companies in pharmaceutical, software and automobile sectors. Further, paper elaborates on the conditions to be assessed before actual internationalization process, drivers for internationalization, opportunities and challenges involved in internalization of companies. Finally, paper gives various ways ahead for the companies for the active participation in internationalization process.

KEYWORDS

Globalization, Internationalization, Less Developed Countries, Multinational Companies , Strategies Adopted.

INTERNATIONALIZATION OF INDIAN BUSINESS: A BACKDROP

Globalization is widely seen as a dominating phenomenon of current century encompassing world wide integration of financial systems, trade liberalization, deregulation and market opening resulting in a global market and patterns of industrial development. It has created a more broad and competitive market across countries due to convergence of production and industrial patterns. As a result firms need to have competitive advantages that are globally viable rather than domestically. The impact on competitiveness should drive the choice of activities to locate in different geographies. Firms in developing countries now faced competition in domestic market with global firms and needed upgrade their capabilities to survive. The rise of MNC enterprises has been attributed to efficiency advantages in the management of inter-dependencies concerning know-how, reputation, the value chain and marketing through internationalization. The benefit of internationalization depends on ownership capabilities. The mainstream perspective in international business assumes that firms will internationalize on the basis of a definable competitive advantage that allows them to secure enough to cover the additional costs and risks associated with operating abroad. In last few decades it is evident that firms and institutions from developing countries are making sustained and deliberate effort to take advantage of the new opportunities. The growth in China and India has led to emergence of new breed of MNC's. The firms from these countries are making inroads in sectors such as manufacturing, services and trading as well as high-technology sectors. Some of the firms such as Infosys, Lenovo, Ranbaxy and Espat are now competing at a global level (Kumar N, 2008).

Internationalization process depends on the dynamism of International markets as well as domestic market conditions. It refers to the degree to which a firm's sales revenue or operations are conducted outside its home country and viewed as a process of transferring a firm's knowledge across borders, whether it is technology, production, marketing or other activities. Internationalization of firms from emerging economies is also motivated by learning objectives that allow these firms to overcome the initial resource hurdles arising due to technological gaps. The internationalization process of firms considers being a gradual process. It is a slow and incremental process. Internationalization is often confused with globalization. Globalization is defined as the economic, political, and societal forces pushing 21st century towards greater international involvement. It may be unalterable, but internationalization involves many choices (Altbach & Knight, 2007). Developing country multinationals invested abroad based on firm specific advantages in product and process technologies that suited conditions in the host countries in which they invested. They competed on price rather than product differentiation.

The Indian market is increasingly becoming global and Indian companies have to succeed domestically and globally if they want to survive and grow (Khera, 2004). As a result of liberalization policy Indian economy witnessed dramatic growth, changes in domestic market and firm activities specifically in relation to overseas expansion strategies. Indian firms augmenting existing skills in production capabilities and process R&D by acquiring technology focused firms in advance markets. For last few years, with more of India Inc venturing abroad in software, biotechnology, automotive and oil sectors, India is fast dropping its tag of being a FDI destination and is emerging as a major foreign direct investor. The *Fortune 500* list of the world's largest non-US firms in 2006 included six Indian companies, these were Bharat Petroleum, Hindustan Petroleum, Indian Oil Corporation (IOC), Oil and Natural Gas Corporation (ONGC), Reliance Industries, and the State Bank of India (Ramamurti & Singh, 2008). The value of actual Indian investments abroad has increased from US$ 319 million to more than US$ 1450 million between 1999 to March 2004. In 2003, there were 1229 approved overseas investments by Indian firms, up from 395 deals in 1999.

According to UNCTAD, India's ranking improved from 80 to 54 during 1990 to 2004 in terms of outward FDI performance index covering 132 economies. Although most of these overseas deals are happening in the US, Russia, UK, and also in lesser developed countries. For example, there are 1441 Indian companies operating in Singapore, of which more than 450 are technology enterprises (Nayyar, 2007). It turns out that India, unsurprisingly, is a somewhat unique country. It is poor on average, but quite rich and advanced in specific pockets. India's high value, highly competitive resources offer potential in the global market. The context and timing bestows Indian companies with a set of advantages and challenges. This will be reflected not only in the business and organizational choices of individual companies but also in the overall patterns of internationalization of Indian companies as a genre.

It is pertinent to notice that both outward and inward flows of investment in the Indian economies increased quite rapidly with some spurts in some of the years (Table -1). The average foreign direct investment inflows, during the 1995-2007 periods, were US $ 6,771.23. It is also clear that during 1996-2007, the average increase in OFDI was US $ 2900.08 million. However, a consideration of the 2000-2007 periods reveals that the average annual rise in the OFDI from India was US $ 4637.75 million. Comparative analysis of the flows of FDI and OFDI clearly brings out the fact that FDI inflows continuously remained higher than that of the OFDI flows. However, the gap between the FDI and OFDI flows, which were very wide before the year 2000, has been narrowed down substantially after 2001 (Aulakh, 2007; Ramamurti, 2008).

TABLE - 1: INDIA'S FOREIGN DIRECT INVESTMENT INFLOWS AND OUTFLOWS (US $ Millions)

Years	Inward FDI	Outward FDI
2000	3585	509
2001	5472	1397
2002	5627	1669
2003	4323	1879
2004	5771	2179
2005	7606	2978
2006	19622	12842
2007	22950	13649
Total	**74956**	**37102**

Source: UNCTAD (2008).

The changing pattern of OFDI from India during the recent past can essentially be attributed to numerous factors. Indian economy has shown high degree of dynamism in the process of structural transformation and the liberalization policy environment has succeeded more recently due to the systematic development of capabilities that has provided dividends in terms of OFDI. Thus, with this backdrop, paper explores patterns and motives for internationalization by Indian firms and investigates different strategies adopted by Indian firms to internationalize their operations. Initially paper gives brief of some success stories of Indian companies in pharmaceutical, software and automobile sectors. Further, paper elaborates on the conditions to be assessed before actual internationalization process, drivers for internationalization, opportunities and challenges involved in internalization of companies. Finally, paper gives various ways ahead for the companies for the active participation in internationalization process.

SUCCESS STORIES OF INTERNATIONALIZATION

THE INDIAN PHARMACEUTICAL INDUSTRY

It is at the forefront in international expansion compared to other manufacturing sectors in the Indian economy. The Indian pharmaceutical industry is the thirteenth largest in the world in terms of market output; accounting for a market of about US$ 2.5 billion (Ramani, 2002). It is ranked as the most advanced pharmaceutical industry amongst developing countries and is one of India's best science-based industries. Indian pharmaceutical firms are accessing advanced markets and acquiring new technology through the process of internationalization (Pradhan & Alakshendra, 2006). Indian pharmaceutical industry has one of the world's richest resources - in manufacturing, research capabilities, and entrepreneurship (Dixit, 2008).

RANBAXY LABORATORIES: Ranbaxy Laboratories Limited was established in 1961. Ranbaxy started as a manufacturer of active pharmaceutical ingredients (API) and soon began looking at international markets for exporting these ingredients. By 2006 Ranbaxy has world-class manufacturing facilities in eight countries namely China, Ireland, India, Malaysia, Nigeria, Romania, the US & Vietnam. Ranbaxy has expanded its geographical presence through joint ventures to new countries like Thailand, Canada and China and through wholly own subsidiaries in countries like the Netherlands and Hong- Kong (Chaudhuri, 2008). At the end of 2005, the number of subsidiaries and joint ventures of Ranbaxy stood at 50 covering a total of 30 countries (Pradhan, 2004).

DR. REDDY'S LABORATORIES: Dr. Reddy's laboratory (DRL) was founded by Dr. Anji Reddy in 1984, and in 1986 it started operations on branded formulations. Within a year of its inception, DRL also became the first Indian company to export active pharmaceutical ingredients to Europe. By 2006 DRL's earnings totaled revenue US $ 546 million of which overseas market brought 66%; US contributed 16%, Europe 11% and rest of the world 39%. The big achievement of DRL's generic foray came in 2001 when DRL became the first Indian company to launch the generic drug, Fluoxentine with 180 day market exclusivity in the US. DRL's international marketing successes were built on a strong manufacturing base which itself was a result of inorganic growth through acquisition of international and national facilities. In 2006 DRL acquired Beta harm for US $ 572 million; highest overseas acquisition by Indian firm in pharmaceutical sector.

WOCKHARDT LTD: Wockhardt was started by the Khorakiwala family in 1959 as a small pharmaceutical distribution and selling entity. The company set up its first formulation plant in 1977 and soon established a bulk drug plant in 1983. Currently, Wockhardt's product portfolio includes pharmaceuticals (bulk drugs and formulations), medical nutrition, Agri-sciences and also hospitals. Wockhardt's expansion of international production into Europe and the US is based largely on acquisitions of plants that had FDA approval. It entered the UK market by acquiring Wallis Laboratory in 1998 and CP pharmaceuticals in 2003. In 2004 Wockhardt acquired the German pharmaceutical company 'Esparma', GmbH to enter Germany; the largest generic drug market in Europe the Company also has nine international patents and 94 trademarks.

NICHOLAS PIRAMAL INDIA LTD (NPIL): NPIL is part of the Piramal Enterprises, one of the India's largest diversified business groups with interests in retailing, textiles, auto components and engineering. The Piramal enterprise was founded in 1933 and until 1987 most of the group's revenues had come from textile business. In 1988 acquired Nicholas Laboratories, an Indian subsidiary of a UK based pharmaceutical firm, renamed it Nicholas Piramal India limited (NPIL) and made it profitable in 4 years. The success of this acquisition possibly spurred Piramal group to use acquisitions as a strategy of growth. Acquisitions helped NPIL create strong linkages with MNC pharmaceutical firms and consequently NPIL has developed an impressive record in managing business partnerships (JVs and alliances) with a number of multinational firms like Roche, Boehringer, Allergan, Boots, Aventis, and Novartis. As a result NPIL has established itself as a partner of choice for any MNC looking at the Indian market. In 2005 NPIL acquired Avecia pharmaceuticals in UK and its affiliate company Torcan Chemical Ltd, Canada for US $ 22 million. In the last decade Indian pharmaceutical firms have emerged as most aggressive overseas investors of all Indian industries.

INDIAN SOFTWARE AND IT SERVICES INDUSTRY:

The software industry actually got its start in 1968 with the establishment of Tata Consultancy Services (TCS), a wholly-owned subsidiary of Tata Group. Competitive advantage of Indian software industry stems mainly from its highly skilled workforce, low cost of skilled labor, and deep-rooted democratic institutions. India's success can also be attributed to the global demand for software development service and shortage of skilled personnel abroad. Indian software firms have emerged as global powerhouse in computer software development. Indian IT consulting companies are now competing globally with the established industry giants. India's enhanced reputation and credibility in software has developed a spillover effect into Information Technology (IT) enabled services (Ghemawat, 2000).

TATA CONSULTANCY SERVICES (TCS): TCS was set up in 1968 by pooling together the management talent from existing Tata companies. TCS is currently a leading IT services provider with a wide range of services across the entire information technology spectrum, such as consulting, IT services, business process outsourcing or BPO, IT infrastructure services, engineering and industrial services, or product-based solutions. With a 2.2 billion dollar turnover for 2005-2006 — it was the first Indian IT company to cross the 2 billion turnover mark. It employed 60,000 consultants in January 2006 in 160 offices in 34 different countries. The company first opened a commercial office in London; another outpost was set up in Nyon, Switzerland as a partnership with a local new company with the view to enlarging TCS services' continental European customer base. TCS expanded and strengthened its presence in Central Europe (Hungary, Poland and

Romania) and in Russia. Tata bought Jaguar and Land Rover from Ford it was one of the first Indian multinational firms to gain world-wide recognition. This acquisition was however only one among many high profile overseas acquisitions carried out by Indian multinationals since the late 1990's (Goldstein, 2007).

WIPRO: Wipro going through various phases of growth has embraced a global business model beyond the low-cost advantage to incorporate building greater industry expertise and delivery of complex solutions. The global model complements the low-cost products and services model by expanding and building sophisticated operations in North America and Europe. Wipro has a dozen offices in the U.S. and development centers in Brazil, Europe, China, Canada, and Mexico. As part of Wipro's global expansion, they are upgrading their capabilities to become a global player.

SOFTWARE OUTSOURCING: Outsourcing of software development to subcontractors in India is relatively a new development. Indian engineers had to come over to the client site to do the development work. This reduced risks and simplified project management. But as the reputation and capability of Indian software developers grew, more work was sent off shore i.e. to India. Outsourcing software development work reduces uncertainty, lowers cost and speed up development. India offers a time zone advantage. Modern telecommunication technology allows transfer of information instantly to all development centers.

INDIAN AUTOMOBILE SECTOR:

Indian manufacturers started going abroad; planting their manufacturing facilities strategically in countries which have a good market and leveraging its country status with the regional trade block agreements of those countries. By 2005, it capitalized on its strengths using the opportunities of the open markets and upgraded technologies through international alliances.

BHARAT FORGE LIMITED'S (BFL) journey towards becoming an international player began in 1997. Company wanted to grow beyond the Indian market and to reduce over-dependence on a single market and also take advantage of different growth opportunities across varying geographies. India's only forging company supplying globally and the country's largest exporter of auto components (Kalyani, 2004). Bharat Forge competes on the basis of its ability to respond rapidly to its customers' demands.

PATTERNS AND MOTIVES FOR INTERNATIONALIZATION BY INDIAN FIRMS

Globalization is opening up a whole set of opportunities for firms in developing countries. These firms created linkages through internationalization and the learning experience resulting from these linkages and the leverages which these linkages provide to firms has emerged as one of the main motive for internationalization of firms. The other motives are:

- *Profit-making opportunities*- Earning money is a key motive for all internationalization projects. There is money in overseas market hence increase profit and market share.
- *The "No. 1 Position"* usually not material in achieving a dominant position in the world market. Relative size is more important, i.e. the value of sales compared with those of competitors, and in particular the objective of being the largest and strongest in the own core market, perhaps being "world market leader" (Lange, 2004).
- *Competitive advantage:* The initial globalization project of Indian IT firms was often related to low-value-added outsourcing tasks, the Indian IT industry is progressively shifting to a higher value-added knowledge process outsourcing (KPO) position (Jonsson, 2008).
- *Increasing "Shareholder Value"*- The expansion of company's commercial activities is to increase the sales and size, at the same time expansion requires large financial resources, which needs to increase the value of shareholders.
- *Peace and democracy* - Financial investments allow having better relationships both *personally and politically.* This results in avoiding or at least reducing the risk of armed conflicts.
- *Prosperity*- Companies necessarily work in their own interests, so also governments naturally attempt to create or improve conditions for their own countries and communities of countries by increasing exports in order to generate growth in their economies.

KEY FACTORS FOR BUILDING A GLOBAL CHAMPION:

- *Global Ambition* **-** Indian corporate leaders have to be equally bold and aggressive to reach the top league.
- *Developing a winning formula*- Once investors gain confidence that the company can run operations more profitably than its competitors, they provide capital and the acquisition currency to pursue rapid global expansion.
- *Global leadership capacity:* To truly build customer loyalty, companies have to be seen as market insider within array of products and services that fit local market conditions.
- *Acquisitions and Integration:* - Indian companies aspiring to become global champions have to be prepared to make several global acquisitions and integrate them effectively. Doing such acquisition requires cash for sure, but it also requires confidence and self assurance.

STRATEGIES ADOPTED BY INDIAN COMPANIES

India's software services companies, like Infosys and Wipro, are perhaps the best known examples of companies following the low-cost partner strategy. Several Indian firms, including Bharat Forge, Tata Steel, and Hindalco, an aluminum manufacturing firm belonging to the Aditya Birla Group, illustrate quite well the global consolidator strategy. The strategies followed by Indian companies are as under:

OUTSOURCING - where the domestic market is relatively either very small or unattractive, the company has made a choice to be primarily focused on overseas opportunities, e.g., Sundaram Fasteners and Bharat Forge. Outsourcing strategy type companies in most of the cases do business with institutional customers. Brand, local knowledge, and distribution reach are important for success when a company deals with retail or individual customers overseas.

MULTINATIONALIZATION - where companies having substantial overseas business and after operating for a few years are aiming to create sustainable competitive position in several geographies, e.g., Wockhardt, and Asian Paints. Multinationalization companies will tend to go for a few centralized functions like research, finance, IT systems and marketing functions for local responsiveness.

JOINT VENTURE - for large investment of time and resources, the joint venture is a useful route. The speed of entry and expansion resulting from joint ventures can outweigh the costs related to coordinating divergent interests of partners and the fears of one partner capturing adverse share of value. Marketing alliances can be useful in internationalization strategy as in the case of Tatas and Rover for sale of cars in the UK and also Aptech's China joint venture.

LEADERSHIP*:* A common element across all the Indian companies that have made overseas breakthroughs is the presence of a strong leader who believes in the ability of the organization to succeed in international markets and who creates the necessary business and organizational wherewithal. Fakirchand Kohli of Tata Consultancy Services and Parvinder Singh of Ranbaxy started going overseas.

CLUSTERS AND NETWORKS - Clusters provide an opportunity for firms in a particular industry to feed off each other by supplying specialized services, cooperating in research and development, attracting a pool of skilled labor, and creating a market for each other's products within close geographical proximity. In an international context, the agglomeration economies created by clusters create opportunities for exporting and to attract foreign investors to a particular location.

MERGERS AND ACQUISITIONS - M&A activities were initially an expansion strategy of the Indian service firms, and until 2002 about eighty percent of the M & As was within the service sector. Post-2002, Indian manufacturing MNCs have again become increasingly involved in M&A activities. The evidence of international investment made by Indian companies abroad through mergers and acquisitions is presented in table - 2. The Indian companies' total sales during the period 2000 to 2008 were US $ 22991 million. Whereas the total purchases were of the order of US $ 56114 million during the same period. Thus, the aggressive mergers and acquisition strategy of the Indian companies resulted into purchases larger than the sales of the order of US $ 33123 million. Out of the nine years period under consideration, the purchases exceeded sales with substantial margin in six years. The consistent rise in the value of OFDI in mergers and acquisitions by Indian companies has provided the status of 'Global Players' to Indian companies. Mergers and acquisitions of Indian companies' abroad show that more than 40 per cent were in manufacturing sector (pharmaceuticals, automotive, consumer goods, chemicals, fertilizers, and metals). However, the 30 percent share of mergers and acquisitions has gone to sectors like IT, software and business process outsourcing (CMIE, 2007). Indian companies' strategy of mergers and acquisitions, during 2000-07 periods, was that more than 42 mergers and acquisitions were only in the US, 19.52 per cent were in the UK and in the Western Europe accounted for 52.19 per cent of the total acquisitions (Bertoni, Elia and Rabbiosi, 2008).

TABLE-2: INDIA'S VALUE OF CROSS-BORDER MERGERS & ACQUISITIONS 2000-08 (US $ Millions)

Years	Sales	Purchases	Sales-Purchases Gap
2000	1219	910	309
2001	1037	2195	-1158
2002	1698	270	1428
2003	949	1362	-413
2004	1760	863	897
2005	3754	4958	-1204
2006	4740	6586	-1846
2007	5580	30414	-24834
2008	2254	8556	-6302
Total	**22991**	**56114**	**-33123**

Source: UNCTAD (2008)

Table - 3 provides information on top twenty five foreign acquisitions by Indian firms during the 2000-07 periods. Out of the top 25 foreign acquisitions by Indian firms, six foreign acquisitions belonged to the Tata group of companies and five belonged to the Indian public sector companies. Two of the foreign acquisition of the Tata Group has been in UK and USA each and two were in East Asia (one each in Singapore and Thailand) whereas out of five foreign acquisitions of Indian public sector companies, four belonged to ONGC Videsh and one belonged to VSNL Ltd. This table further reveals that, out of 25 foreign acquisitions, sixteen were in the developed countries and the nine were spread over to various other parts of the globe. The seven foreign acquisitions by Indian firms were in the area of resources such as petroleum, steel and aluminum. It is noticed that, among the top 25 foreign acquisitions, 100 percent ownership were reported in twelve foreign acquisitions, followed by 97 percent to 50 percent in four foreign acquisitions, and one each foreign acquisition has ownership control of 30 percent and 25 per cent, which were the minority joint ventures.

TABLE - 3: TOP 25 FOREIGN ACQUISITIONS BY INDIAN FIRMS FROM 2000 TO 2007

Year	Value (US $ million)	Rank	Indian Firm	Target Firm	Country	Industry	Ownership per cent
2007	12100	1	Tata Steel	Corus Steel	UK	Steel	100
2007	6000	2	Hindalco	Novelis	USA	Aluminium	100
2006	1400	3	ONGC Videsh	Petrobas	Brazil	Petroleum	
2002	766.1	4.	ONGC Videsh	Greater Nile Oil Project	Sudan	Petroleum	25
2006	677	5.	Tata Tea and Tata Sons	Glaceau	USA	Health Drinks	30
2004	600	6.	ONGC Videsh	Greater Plutonio Project	Angola	Petroleum	50
2004	600	7.	Opto Circuits India Ltd	Eurocor GmbH	Germany	Medical Equipment	
2006	570.3	8.	Dr. Reddy`s	Betapharm Arzneimittel GmbH	Germany	Pharmaceuticals and Healthcare	100
2006	565	9.	Suzlon Energy	Hansen Transmissions	Belgium	Energy	100
2006	522	10.	Kraft Foods Ltd	United biscuits	UK	Food and Beverages	
2000	431.2	11.	Tata Tea	Tetley Group	UK	Food and Beverages	100
2006	324	12.	Ranbaxy Laboratories Ltd	Terapia SA	Romania	Pharmaceuticals and Healthcare	97
2000	323	13.	ONGC Videsh	Sakhalin-I PSA Project	Russia	Petroleum	100
2005	300	14.	Ispat Industries Ltd	Finmetal Holdings	Bulgaria	Steel	
2005	289.2	15.	Videocon International	Thomson SA (CRT business)	Europe, china	Consumer Goods	100
2004	283.7	16.	Tata Steel	NatSteel Asia Pte.	Singapore	Steel	100
2005	254.3	17.	VSNL Ltd	Teleglobe International Holdings Ltd	USA	Telecom	100
2005	234.7	18.	Mtrix Laboratories	Docpharma NV	Belgium	Pharmaceuticals and Healthcare	95.5
2006	220	19.	Tata Coffee	Eight o' Clock Coffee Co.	USA	Food & Beverages	100
2006	210	20.	Susken Communication Tech Ltd	Bornia Hightec	Finland	Information Technology	
2006	209	21.	Ballarpur Industries Ltd	Sabah Forest Industries	Malyasia	Pulp and Paper	77.8
2003	191.2	22.	Reliance Infocomm	Flag Telecom	USA	Telecom	100
2006	185	23.	Seagate Tech Ltd	Evault Inc.	USA	Information	
2001	184.6	24.	Citrix Software India Pvt. Ltd	Sequoa Software	USA	Information Technology	
2005	175	25	Tata Steel Ltd.	Millenium Steel Plc	Thailand	Steel	100

Source: Nayyar (2008)

Analysis of Indian firms' internationalization strategies suggests that acquisition is preferred route Indian firms' international expansion compare to organic routes in advanced countries.

WAYS THAT INDIAN FIRM GO ABROAD

The Boston Consultancy Group in their report on global challengers from emerging economies categorizes four main strategies by which firms expand abroad:

TAKING LOCAL BRAND GLOBAL: (THE INDIAN AUTOMOTIVE INDUSTRY) - Bajaj Motors and Mahindra & Mahindra have been working on rolling out their own products across the world. Mahindra & Mahindra, for instance, manufactures tractors and cars. Scorpio is already sold in South East Asia as well as in South Africa. M&M claim cost efficiency and engineering skills are strengths behind their market successes.

TURNING LOCAL ENGINEERING INTO GLOBAL INNOVATION: (PHARMACEUTICALS) - The globalization of the Indian pharmaceutical industry is an example of how a locally developed skill is leveraged. The Indian pharmaceutical industry grew by reverse engineering drugs and manufacturing these for the local market. Based on their manufacturing skills, Indian pharmaceutical firms such as, Ranbaxy and Dr Reddys and the insulin giant Wockhardt began positioning themselves as global generic manufacturers of drugs.

GLOBAL CATEGORY LEADERSHIP - By taking a local category leadership position and leveraging it to a global category leadership position, is evident in for instance polyester yarn with the Reliance group or in steel where Bharat forge has pioneered a dual shoring system (Jasson, 2008).

PRECONDITIONS WHILE ADDING TO THEIR INTERNATIONAL DIMENSION

BACKGROUND INFORMATION – In order to appreciate the context within which a country's political, economic, and social institutions have emerged, some understanding of its history, geography, culture, and demography is necessary.

THE GENERAL POLITICAL AND ECONOMIC SITUATION – It is difficult to understand the business environment in a country without studying the current political system and institutions, major government economic policies, and a variety of data and other information on the country's economy.

CULTURAL ASSESSMENT – This would require an investigation into cultural elements such as language, religion, and social structure and attitudes. Language presents particular difficulties when venturing into a foreign country, despite the prevalence of the English language. Cultural differences, a factor which increases the risk of operating abroad and may either deter international entry or reduce the likelihood of success.

GENERAL PRODUCT DATA - A variety of data can be used to give an indication of the standard of living in a country, which includes-product data such as the number of passenger vehicles, television sets, telephones, and the literacy rate of the population.

RISK FACTORS – The potential risks involved in entering a foreign country vary greatly with the country concerned. Political risks may include wars, civil unrest, terrorism, and changes in government policy or the law. Economic risks range from exchange rate exposure to the risk of non-payment or financial instability.

REPUTATIONAL BARRIERS -Firms from developing countries face reputation as a barrier to entry in export markets. Buyers abroad have limited information about quality and service reliability because they have little prior experience in dealing with these firms. Reputational barriers are especially higher in service sector such as software. To mitigate reputational barriers, Indian software exporters have adapted several strategies, like joint ventures and to open branches near customer locations.

Developing countries generally require more procedures to start a new venture and subsequently, require a longer time horizon for full implementation of the new firm. This increases the cost of starting a new venture and encourages development of an underground economy as entrepreneurs seek faster, less bureaucratic methods of new business development.

DRIVERS TO INTERNATIONALIZATION

The implication of country origins, their level of maturity, position in the value chain and strategies is that the drivers of internationalization manifest themselves in a wide variety of ways. There are a number of ways.

HOME COUNTRY DRIVERS (PUSH FACTORS) - Home country drivers, which refer to conditions that influence companies to move abroad, consist of: market and trade conditions, costs of production, local business conditions and home government policies. Global and local competitive pressures appear most frequently as a driver and take many forms.

HOST COUNTRY DRIVERS (PULL FACTORS) - Developed countries may be more attractive because of their large markets, which may be more accessible as a result of regional integration agreements, especially in North America and Europe. The case of developing countries, markets that are large or growing will be the most attractive, but considerations of market size will, of course, depend on the type of product. Host countries with low costs of labor or other required resources are more likely to receive inward FDI. Apart from factor costs, MNCs also invest in host countries because of their resources; these refer to a wide variety of potential factor inputs, including natural resources, labour and infrastructure.

OPPORTUNITIES FOR INTER LDC TECHNOLOGY TRANSFERS

Technology is a fundamental competitive advantage of firms in business today. From creation of new products to knowledge of markets or industrial processes, technology plays a major role in the success of both domestic and transnational firms. Technology transfer is a multidimensional process through which innovation is disseminated; it is the process by which technical information enters the public domain and becomes generally available for use. Namely: advertising, commercial banking, computer software, hotels, and management consulting. Technology up-gradation is directly linked to performance and adding value to the product, which is directly related to the profit.

Transfer of technology may be foreign direct investment (FDI), joint ventures, wholly owned subsidiaries, licensing, technical-service arrangements, joint research and development (R&D) arrangements, training, information exchanges, sales contracts and management contracts. Technology enters a country through:

- Trade in goods with technological input;
- Contracts between private and/or state enterprises;
- FDI by firms with knowledge base asset that brings newer technology;
- Education;
- Imitation, reverse engineering, de-compilation of software, trial and error;

The ability to be internationally competitive also depends on having up-to date technology. As most LDCs have undertaken the trade liberalization, technological progress has become vital for their competitiveness and economic viability(UNCTAD, 2007).Technology cooperation may includes: patent; know-how; trademark; franchise; distribution; copyright; computer software; technical services and assistance; engineering services; and management services. FDI is widely viewed as being one of the principal vehicles for the international transfer of technology. It contributes directly to the increase in productive capital stock, technological growth, and facilitates transfer of managerial skills; besides improving global market access (Dunning, 2006).

The corporate technological internationalization takes place in following ways:

Technology-seeking FDI in R&D - It is directed towards offsetting home country weaknesses in a given technological field by selecting a host country with proven strength in the desired technology.

Home-base-exploiting FDI in R&D - The rationale for the investment here is to exploit the existing corporate-specific capabilities in foreign environments. A firm possessing a competitive advantage in a technological field in its home market seeks to exploit it abroad, particularly in regions which are weak in the technological field considered.

Home-base-augmenting FDI in R&D - It consists in targeting technologies in which the firm has a relative advantage at home and the host country is also relatively strong. Such R&D activities are aimed at monitoring or acquiring competitive advantages which are complementary to those already possessed by the firm so as to augment a firm's existing stock of knowledge.
Market-seeking FDI in R&D - It corresponds to situations where a firm invests abroad in technological activities in which it is relatively weak in its home country and the host country is also relatively weak. In other words, there is neither a home technological advantage nor a host country technological advantage. The most important strategy in terms of patents.

CHALLENGES IN INTERNATIONALIZATION

The biggest challenge for EMNCs as a late comer is how to create new competitive advantages in the market. Organization learning is crucial for them to fulfill a successful catch up strategy, and this learning process is likely to be long and expensive, especially where the technology continues to advance rapidly and competition from the incumbent firms remains fierce. The key to the success of EMNCs has been the ability to treat global competition as an opportunity to build capabilities and adopt strategies that turn latecomer status into a source of competitive advantage (Fan, 2007). The challenges are:
THE GLOBAL ECONOMIC SLOWDOWN: India is hit by the global recession. This is primarily visible in an increase in lay-offs in the export sector where orders have shrunk. The difficulty of finding external financing, on which Indian multinational firms have become increasingly dependent. The Indian IT industry is also hit hard, with almost half its export revenues coming from the US market and in particular the financial markets, which is the epicenter of the recession.
INCREASING COMPETITION: India has become a very important destination for most global firms. While this is good for the economy and for overall economic efficiency, the earlier fairly safe home market of Indian firms now is contested. As the Indian market develops it will become more competitive and less of a captive market for Indian firms.
TALENT CRUNCH: One result of the expansion of the Indian economy is a serious shortage of talent. Indian IT firms are currently recruiting abroad, in Russia, the Philippines and other places. The rapid inflow of global firms in combination with a poor supply through higher education and an unresponsive government has led to this almost crisis situation.
GLOBAL FIRMS REQUIRE GLOBAL MANAGEMENT: There are currently few Indian managers with international management experience. Indian industry is currently so hard up for good managers that, according to local Swedish multinationals, it is as expensive or even more to recruit an Indian manager as to bring in a Swedish expatriate to manage Indian operations (Jasson, 2008). Companies from India, face a difficult and challenging task in going international but not an impossible one - Infosys, TCS, and Wipro. (Khera, 2004).

WAYS AHEAD

The ability to take advantage of the niche markets inherent in the Born Global phenomenon will become faster, easier, and less expensive. Developing nations can enact policies that support an increase in globally oriented entrepreneurship, and the establishment of entrepreneurial firms. The basics to compete in the global market are:

- Produce world class quality (e.g., software, pharmaceuticals, auto component, etc.)
- Build international scale capacities (e.g., Bajaj Auto, Hero Honda, TVS),
- Leverage India's low cost advantage (e.g., software, pharmaceuticals, auto components)
- Develop strong product development capabilities (e.g., Indica, Scorpio)
- Expand size of domestic market to provide foundation for exports (e.g., Bajaj Auto, Indica) become a global base for exports of manufactured goods (e.g., auto components),
- Build Indian MNCs (e.g., Infosys, Ranbaxy)
- Enhance competency levels (e.g., manufacturing clusters at Surat — gems and jewellery; Tirupur — Textiles; Pune — Auto components)
- Radically improve quality of infrastructure (e.g., telecom, roads, power, ports)
- Conducive government policies (e.g., Special Economic Zones to overcome constraints, of infrastructure.

CONCLUSION

In the last decade Indian pharmaceutical firms have emerged as most aggressive overseas investors of all Indian industries. Analysis of Indian firms' internationalization strategies acquisition is preferred route by Indian firms' international expansion compare to organic routes in advanced countries. The overseas expansion of Indian firms is related to the need to improve global competitiveness, acquisition of assets, and move up the value chain; increase their product offering and consolidation of existing market shares.
The world saw the emergence of India as a leading software exporter leading to internationalization of Indian software Industry. Initial general opinion on India's success in software was attributed to low cost skilled labor available in India. The main factors driving internationalization of Indian software industry can be: Availability of skilled, reliable and knowledgeable workforce, stable political system and governmental assistance and demand for software development in the US and Europe.
'Think Global, Act Local' Building downstream capabilities, knowledge of the market, local laws, and client relationships are essential, but developing these can be expensive for an organization. The key enabler for competitiveness for Indian companies is our large capacity of 'brain power.' This needs to be carefully nurtured and expanded. Emphasis on IT-based technologies in manufacturing, engineering, and product development and training to improve marketing skills required to create delivery systems for global customers. The world is beginning to believe in India; we need to believe in our ability to compete, perform, and succeed.

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