Replicating Global Success

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In today's era, globalisation has become the corporate buzzword. It is now almost a fashion to discuss how Indian companies are on the globalisation trail. But many CEOs in India , even as they talk about globalisation, underestimate the enormity of the task involved. And in some cases, they are simply paying lip service to the concept. The fact remains that Indian companies are way behind their counterparts not only in the West, but even in Asia .

Fortunately, some Indian companies are breaking out of this mould and leading the way by demonstrating their commitment to the cause. Take stalwarts like Ranbaxy, Asian Paints, Tata Motors, Moser Baer, Sundaram Fasteners and Bharat Forge. These companies are developing a set of world-class capabilities, creating a winning formula that can be replicated across countries. In short, for them it's the drive to become global leaders that assumes prime importance.

But what is it that makes a corporation truly global? This entails a combination of three capabilities: global standardisation to achieve economies of scale and consequently efficiency, local customisation to meet the needs of different markets and knowledge sharing that facilitates exchange of best practices across subsidiaries. In other words, becoming global involves developing distinctive capabilities that can help establish a strong position in the home market, and then leveraging these capabilities across countries with necessary customisation. Globalisation also involves mastering the global organisational structure, typically a matrix of businesses, geographies, and functions to make operations efficient and facilitate knowledge transfer. Last but not the least, it also involves developing a cadre of managers who are comfortable, operating across the world. Wipro is a good example of an Indian company investing in the development of global managers.

But for companies in the quest for globalisation, competitive advantages emanate from many sources distinctive capabilities, privileged local relationships, or valuable assets or rights that it possesses. Companies that rely solely on local relationships or valuable assets or rights for competitive advantage, remain exporters. Theirs' is an uphill struggle to become truly global. Only companies which develop a set of world-class capabilities and create a winning formula that can be replicated across countries become global leaders. These distinctive capabilities cannot be solely dependent on local market characteristics. It must be possible to exploit these capabilities, extend them successfully to other markets. Asian Paints, for example. has attempted to leverage its supply chain management capabilities and entered many emerging markets in the Asia Pacific.

Globalisation is not about setting up a separate exports or international department. Indeed, global companies do not draw a major distinction between their domestic and overseas operations. Among Indian companies, Ranbaxy seems in the regard. Once a global organisational structure is in place, global companies know how to integrate their global network of operations and accelerate knowledge sharing in seamless manner. Tata Motors is confident about applying its knowledge of the Indian market to compete successfully in other emerging markets.

Indian companies that want to globalise should ask a few basic questions:

- Do we have the determination to be global leader?

- Does the rest of the management team share this ambition?

- Are we prepared for the long journey?
- Can our domestic market generate adequate cash flows to support an expensive, long drawn out, globalisation effort?
- Have we achieved excellence in our basic business operations?
- Which distinctive capabilities will allow us to sustain profitable operations in the overseas markets?
- Which markets are best suited to leverage our distinctive capabilities?
- Do we have enough homegrown leaders to operate effectively in overseas markets?
- How many people will we have to hire, and how will we teach them our business?
- What changes are needed in our organisational structure and management processes to integrate geographically dispersed operations?
- How will we socialize the people working on international operations so that they understand our core values?

The experiences of some Indian companies. Which are briefly chronicled below, illustrate the challenges involved.

Ranbaxy Laboratories

Ranbaxy, one of India's leading pharmaceutical companies, in its drive to become one of the top generics drug makers in the world, has put in place a multi-pronged strategy to achieve its cause - acquisition of generic brands overseas, strong emphasis on brand management in the US and' Europe, and entry into new markets with high potential.

Ranbaxy has shown its global intent by avoiding a split between its domestic and international operations in its organisational structure. The company has divided the world into four regions - India and the Middle East, Europe, CIS and Africa, the Asia Pacific and America . Strong leadership and management processes have backed up this structure. The company has also not hesitated to assign foreigners to senior management positions. A British national, Brian Tempest has recently taken charge as the company's CEO.

Brief history

Ranbaxy's attempts to globalise received a major boost when Parvender Singh took over from his father Bhai Mohan Singh as CEO in 1993. Parvender resisted the temptation to diversify. He decided to remain focused on the pharmaceuticals business and go global. By the late 1990s, the company had successfully penetrated Africa, Malaysia , Russia , China , the US and several European countries. In 2004, Ranbaxy was present in 34 countries and sold its products in 100 and had increased its manufacturing facilities to 17 spread over seven countries eight in India, four in the us, and one each

in Ireland, Malaysia, Nigeria, Vietnam and China.

Ranbaxy demonstrates the importance of commitment to the process of globalisation. Even though the company had started exporting in 1975, its overseas businesses were not particularly profitable. Bulk of Ranbaxy's exports consisted of bulk drugs and intermediates. The gross margins were barely adequate to cover marketing costs. Notwithstanding these difficulties, Parvender stuck to his task, and was not discouraged by the cynicism of other colleagues in the industry. He once remarked: "Ranbaxy cannot change India . What it can do is to create a pocket of excellence. Ranbaxy must be an island within India ."

Towards this end the company went about globalising in a systematic manner. Its initial foray was into emerging markets. For many years, the company's international operations were limited to Malaysia , Thailand and Nigeria . Gradually, the company moved into higher margin businesses such as branded generics in larger markets like China and Russia . It also entered sophisticated markets like the US and Europe which had tough regulatory norms. Since the 1990s, Ranbaxy has increased its commitment to markets in the West. In 1997 Ranbaxy acquired Ohm Laboratories. Also the acquisition of RPG Aventis in France and the setting up of a Spanish subsidiary have strengthened the company's presence in Europe . The company believes that a diversified presence across different markets will mitigate risk. To further its drive into global prominence Ranbaxy is also strengthening its research capabilities. The major focus areas are currently urology, anti-infectives, respiratory, anti-inflammatory and metabolic disorder drugs.

Tempest meets his regional directors each quarter for roughly two to three days. On day one, operational issues are discussed. The next day-and a-half is devoted to strategic issues that will be of concern over the next three to four years. Regional directors meet their country heads once every four to five months. Tempest closely monitors how each manager is doing against three criteria: profits, market share and cash generated. Besides, he also generates a list of the best six and the worst six managers measured by variance against profits. This information is shared among managers, so that the team has a fair idea how different parts of the global system are doing.

For Ranbaxy, some markets are more strategic than others. The six key markets are the US , Europe, Brazil , China , India and now Japan. Much of the company's effort goes into these. "If Brazil comes and says it wants something, it will (get it), but if Chile does, we won't turn over for Chile . That is the focus that we are building," says Tempest.

As it embarks on its next phase of globalisation, Ranbaxy faces major challenges. The generic drugs markets in western countries are characterized by cut throat competition. Patent litigations are also a major issue - with Ranbaxy's strategy being to challenge the patents of MNCs. Frequent policy changes in different countries are also important concerns. Last but not the least, Ranbaxy faces challenges on the human resources front too. It needs more managers with a global mindset. After DS Brar's recent resignation, many senior managers have left, including Reshmi Bharbhaiya, the respected R&D chief. Ranbaxy currently spends about six per cent of its sales turnover on R&D, but in absolute terms, this is still a miniscule amount compared to what other global companies spend.

Asian Paints

In an industry where the potential of globalisation looks limited at first glance, India 's leading paints company Asian Paints (AP), has challenged conventional wisdom. In the 1970s, AP decided to look seriously at overseas expansion. It set up a manufacturing facility in Fiji in 1978. AP entered Tonga in 1982, Nepal in 1983 and acquired Delmage Forsyth & Co, the second largest paint company in Sri Lanka in 1999. The Oman and Mauritius plants were commissioned in 2000.

Shortly thereafter, seeking to establish a beachhead for developed markets, AP acquired Pacific Paints in Australia . The Bangladesh operations, which started in August 2002, marked the company's largest

Greenfield venture. AP acquired SCIB chemical SAE, the fifth largest cement company in Egypt in the same month. AP made a bold move when it took a controlling stake in Berger International, Singapore , one of the oldest brands in the global paint industry, in September 2002. With this acquisition, AP gained access to 11 countries, most of them being emerging markets. Currently, AP is present in 23 countries and has 28 manufacturing facilities. In 2003-04, global sales amounted to Rs. 4329.82 million and domestic sales to 18,570.97 million.

Like Ranbaxy, AP's global expansion has been systematic and deliberate. The company has decided to focus almost exclusively on emerging markets in Asia and the Asia Pacific, which have large Indian communities. These markets have low per capita paint consumption, are among the fastest growing paint markets in the world and have also been traditionally ignored by multinationals. The distribution network in these is fragmented just like in India . AP has exploited the opportunity to leverage its strong supply chain capabilities. AP's stated objective is to become one of the top five decorative paint companies in the world.

Asian Paints' vice chairman and managing director Ashwin Dani believes that the major challenge in the years to come will be integration. As he explains: "We now have to deal with brands, new people and new customers and most importantly bring in complete integration. People come from different new people and new customers and most importantly bring in complete integration. People come from different backgrounds, different cultures and different languages Emotional integration is also critical. You can't go into a company and be seen as only emphasising technology and intellectual integration because while there are brands, there are also customers and employees."

In early 2003, AP held a global conference of its managers to facilitate exchange of ideas, find new ways to solve problems and create a feeling of belongingness. During the conference, it defined four guiding principles: responsibility, entrepreneurship, continuous improvement and trust.

Developing a cadre of global managers has been on top of the agenda for the company in recent times. For long, it had never quite bothered to send its most talented managers to man its 12odd outposts in distant markets like Australia and Fiji . In any case, not many Indian managers were interested in taking up these assignments. And the few, who did go, preferred to stay on. Since they were doing well, the company did not insist on their coming back. It did not matter much since the international operations were too peripheral compared to the home market.

The Berger acquisition changed the scenario dramatically. Suddenly, AP's operations were spread across 24 countries and international revenues were 20 per cent. Moreover, Berger was not doing well. In end 2001, it had made losses of Singapore $11 million. It became clear that a turnaround would be difficult without the best managers being posted in each of these strategic markets.

As AP grappled with the problem of grooming and developing a cadre of managers who were as comfortable in any international market as they were in India , it faced several practical issues. Most of the MBAs the company hired from top Indian B Schools had multiple options within India , with salaries in India having improved significantly in the past few years. In some cases, their wives were working. So executives had to find a balance between their careers and those of their spouses. AP realised the need to allocate overseas assignments more systematically, taking into account the specific circumstances of individual managers.

In its pursuit for global excellence AP has now announced a new HR policy that places greater weightage on international experience, "We said this was a different experience, both in terms of perspective, knowledge as well as managerial skills. We declared that as a policy we would value this. So the career paths of people will necessarily get routed through international opportunities," says Jalaj Dani, vice-president (international operations). AP has handpicked some of its brightest young managers in the organisation and sent them to China , Egypt and Thailand . According to a senior

executive: "When a little bird develops wings, it is forced out of the nest, starts flying, gains tremendous confidence and comes back to its own nest, far more confident. That's the metaphor that best describes our talent management approach". To deepen its competencies, AP is encouraging its managers to specialise in areas such as marketing, supply chain management, management information systems, finance and human resources.

A big challenge for AP was to efficiently manage a disbursed network of operations. To impose financial discipline on subsidiaries, the company began by setting some financial benchmarks. If AP earned a net margin of 8-9 per cent and a return on capital employed (ROCE) of 30 per cent in India , it figured it would have to do at least 60 per cent of that (18-20%) in any overseas market for its presence there to make sense.

With its global operations rapidly expanding, AP is increasingly resorting to a portfolio approach. The company is now taking a serious look at the size of the paint market in each country, the size and strength of the economies, the nature of competition and the investment potential. Based on those calculations, it is dividing all its markets into three groups: growth, leadership and niche.

AP's strategy varies from market to market. For instance, in Malaysia and Thailand , which are rapidly growing markets, the company is looking for further acquisitions to build critical mass. Size and markets hare will help it command greater pricing power, which in turn will improve margins, is the rationale. Meanwhile, in Jamaica and Bahrain , where AP is a dominant player, its margins are closer to what it earns in India . In these markets, the company hopes to improve ROCE and margins, and try to expand its market share. In niche markets, the focus is on turning around the business or even withdrawing if the profitability does not improve. For example, AP recently withdrew from Malta since the market was simply too small to be economically viable.

Tata Motors

As recently as 2001, Tata Motors, India 's leading truck maker was struggling to turn around its domestic operations. The company piled up its worst ever loss of Rs 500 crore during the year. Executive director, Ravi Kant recalls how a three phase strategy facilitated the turn around: "The first phase was, obviously, to engineer a turnaround; the company was bleeding, and that had to be stopped. The second phase was consolidating Tata's position in the domestic market... The third phase was to go beyond the shores of India in a very deliberate manner."

The Tatas have made significant progress since then in their efforts to globalise. Ravi Kant has explained why globalisation makes sense: "In a cyclical business such as ours, it is important that we hedge against it. Our international business offers an opportunity as different countries go through peaks and troughs in demand at different points in time. Our capacity utilisation is more effective and risks of downturns can be mitigated."

Tata Motors is following a systematic approach to globalisation. The company has classified different markets in terms of size, growth opportunities, product segments and target volumes. The company has decided to focus on 15 to 20 key countries where it intends to have a significant presence in terms of volumes and market shares. Based on market characteristics, Tata Motors will decide the entry strategy, the kind of presence and network it wants, how to control the market and the pricing and promotion required.

The recent acquisition of Daewoo's truck making plant in Korea is a clearly bold move. If it pays off, there will be rich dividends. The plant will Tatas' market presence not only in Korea but also in neighboring Asian countries, including China . While Tata Motors is already strong in South Asian markets such as Bangladesh and Sri Lanka , it wants to strengthen its" operations in West Asia . it has already introduced its trucks in Saudi Arabia .

Tata Motors will shortly introduce a whole range of vehicles in South Africa . The South African taxi recapitalisation programme is expected to generate a big order. The project intends to replace 1.2 lakh 16-seater buses in the country by 2006 with around 80,000 buses in the 1835-seater range. Despite global competition, the company believes its low cost production *base* will be a significant competitive advantage. The company is also looking at Russia and the UK , which it plans to target with a limited range of pickups.

As Tata Motors enters new markets with its own brands, it realises that the key to success lies in providing more value to customers. The game plan is to offer different products for different markets. The continuous emphasis on lower cost is an attempt to offer customers more than they would get with some other car brand - As executive director, V Sumantran puts it: "That platform will have to be strengthened because we are a new player and lesser known player. So, we will continue to emphasise the capabilities that can deliver superior value in our product. Of course, along with that will come all the dimensions of gaining our footprint in the product segments, regional presence. Quality, of course is a given, everybody has to have it otherwise you can't play this game, so in that respect it is a fairly predictable path. There is no short cut in this world to becoming a world-class Indian car company."

Currently, Tata Motors seems to be the lowest cost producer in the world and can deliver trucks at prices, which are at least 25 per cent less than global players like Daimler Chrysler. However, Ravi Kant is circumspect. I can't say I am globally competitive now; I do hope to be globally competitive in 3-4 years time where the look of the product, performance and reliability and durability will be second to none at a price that nobody else can match and that is really the crux. I need to hold on to the competitive advantage of being the lowest-cost producer. If I lose that then I have a big problem."

Moser Baer

Moser Baer (Moser) is another Indian company that has been remarkably successful in its efforts to globalise. Moser was set up as a joint venture with a Swiss company in the early 1980s, mainly to make time-keeping devices in India . In the mid-1980s, the Indian partner bought out the Swiss company's stake.

Moser then started off in the storage media segment by manufacturing eight-inch floppy disks with technical assistance from an US collaborator. The company set up a unit with a capacity of only about 0.6 million disks per annum with a modest initial investment of less than Rs 2 crore.

The urgency to globalise came with liberalisation of the economy in the early 1990s. Moser realised that it needed scale to become a global player. So from a little over half a million disks in *1986-87, the* company expanded its capacity to about 140 million by mid-1990s. Subsequently, the company started making 5.25 inch and 3.5inch disks and then entered the optical media business in 1998-99 to make CDRs.

In the late 1990s, Europe accounted for about 60-70 per cent of Moser's export revenue. However, over the past five years, the company has tried to diversify its revenue stream, a decision prompted by anti-dumping investigations in Europe and the need to reduce risk. At present, Europe accounts for about 30-35 per cent of revenues, the Americas for 25-30 per cent, Asia (including India) for around 25 per cent and Japan alone for about five per cent of total revenues.

At present, Moser is in the process of setting up its first overseas manufacturing facility in Germany . The US $10 million facility is expected to come up early next year. The unit will manufacture niche storage media products for the European markets.

As director Ratul Puri has explains: "We found that in the storage media there is a certain niche market which accounts for maybe about five per cent by volume but about 15-20 per cent by value, a

reasonably sized business of about half a billion dollars globally. This market has historically been serviced mainly by Japanese companies and a few US companies. These are very high value-added, high-margin products, which are tough to service from an offshore location. The German facility is being set up with the objective of helping us service the European markets effectively."

Moser's recent international forays include the setting up of a joint venture with US based Imitation for R&D and the purchase of a Luxemburg based company called, Capco. It is also concentrating on high-growth markets in Asia .

Today, Moser generates a turnover of Rs 1586 crore and a net profit of Rs 324 crore. It exports 85 per cent of its output. The company is now the third largest manufacturer of compact disks in the world after two Taiwanese companies, Ritek and CMC, which have a 70 per cent share of the world market. The company controls 15-20 per cent of the global marketplace for optical storage media, selling its products to virtually every country in the world. While Moser has a marketing presence in Japan, South East Asia, India, West Asia, Europe and the US (both the East and West coast), the manufacturing is predominantly located in India, except for the German facility.

Sundaram Fasteners Limited

Sundaram Fasteners Ltd. (SFL), another of the successful Indian globalisers has been very aggressive in recent times. The acquisition of Dana Corporation's cold-forging unit, Cramlington Forge, in the UK in November 2003 and the commissioning of a factory in China to produce fasteners, are part of the company's strategy to go global.

SFL is giving itself 12-18 months to understand the Chinese market. Initially, the company plans to use the plant in China mainly to service its export orders from elsewhere in the world. In the second phase, SFL plans to target multinationals operating in China . Only then will the company look at the domestic Chinese OEMs (original equipment manufacturers). The idea is to first inspire confidence among Chinese customers that SFL is a reliable high-quality supplier, by doing business with the multinationals.

Cramlington, a division of Dana Corporation, has an impressive customer list for its cold-forged products. Crarnlington is expected to give SFL access to major OEMs such as Scania. In general, OEMs tend to develop long-term relationships with component suppliers. Even after the acquisition, it will be a major challenge for the company to sell its own products to Cramlington's customers. But the acquisition has made it a little easier in the sense that SFL will now be identified with Cramlington's products. Not surprisingly, SFL has left the existing set -up at Cramlington undisturbed. It has retained the chief executive and given him complete managerial autonomy to function as before. This is as much a strategy to gain the confidence of Cramlington' s existing customers as indeed the workers of the unit. SFL is also investing heavily in an additional press to signal its long-term intentions.

SFL is attempting to strengthen its relationships with existing customers by following them wherever they go (China , for instance) even as it widens the customer base by acquiring newer ones (Cramlington Forge). The entire game plan is being executed cautiously. The combined investment of Rs 60 crores in the two projects is under 10 percent of the existing turnover of SFL and has been funded primarily from internal accruals.

Bharat Forge

Bharat Forge is another Indian company, which has demonstrated a serious commitment to going global. By 2008, it expects to be the leading forgings company in the world with a turnover of US $1 billion.

It was in the late 1990s that Bharat Forge decided to go global in earnest. In 1997, its CEO Baba Kalyani replaced his old hand-press machines with new modern Weingarten machines to increase reliability and efficiency. He reduced his workforce by 30 per cent, making the operations less labor-intensive and more skill-intensive.

With its low wage costs (as a percentage of total costs, wage costs were just 9%, as compared to about 30% for the others) and new technology, the company began to supply to a host of global auto companies like DaimlerChrysler, Piaggio and Renault in Europe . Then, when the Chinese auto companies began to scramble to meet the 2005 Euro II norms - and began their search for more reliable suppliers - Bharat Forge decided to move in swiftly, by acquiring CDp, a German forgings company.

CDP, a global player in both passenger car and truck chassis components will provide Bharat Forge access to technology and engineering capabilities. According to Kalyani: "After all, Germans are very, very famous for their engineering capabilities. Secondly, it brings us new customer relationships that we don't have.. ...Our strategy is to make Germany our center for technology and product development" The company has plans to serve big, global players like Volkswagen and BMW.

A New Mindset

The basic issue which Indian companies need to tackle before seriously considering global expansion is the mindset. A passion for growth must form the core of this mindset. As Suresh Krishna of Sundaram Fasteners has pointed out: "You must have an unquenchable thirst for growth and you just cannot say enough.. .Once you become a low cost, high-quality company and are sure of your technology, then it is your dharma to go and do whatever you can in the other country. Your canvas has to grow bigger." In SFI's case, it was Krishna 's frustration with the low growth rate of the Indian economy that forced him to first look abroad for business in the 1980s: "A company cannot be strictly bound by the domestic growth rate of any one country. I don't want to be bound by the Indian growth rate all the time."

For companies with the right mindset, going global becomes religion early on. When one looks at truly global companies such as Sony and Matsushita, the strategic intent to expand overseas existed almost from the inception. The name Sony itself was chosen to appeal to a global audience. Sony also resisted the temptation to become a private label supplier. Instead, it chose the long and more difficult path of developing its own brands. Matsushita also chose the 'right' brand names for its products like National and Panasonic in line with its global ambitions. The two Japanese companies also invested heavily in overseas marketing manufacturing & R&D infrastructure. These investments involved heavy risks but the passion for going global made the management determined to go ahead.

The Lacuna

Globalisation involves building sustainable competitive advantages. Unfortunately, the few Indian companies, which are making rapid strides in international markets, are doing so essentially due to cost arbitrage. Here our companies should learn from Japan . The yen has appreciated significantly from 360 to the dollar in 1971 to about 105 to the dollar today. But Japanese exports have lost little of their momentum. The reason for Japan 's consistent export performance is the ability of its companies to add value efficiently and innovatively. Only those Indian companies, which can think beyond labor cost arbitrage will be able to succeed globally in the long run.

Strong people capabilities drive globalisation. This calls for high quality leadership and extremely talented people. Unfortunately, in India , the picture is far from rosy. Middle managers have a critical role to play in the implementation of global strategies. And this is where the fundamental weakness of most Indian companies lies.

The role of the top management is to define the corporate purpose. That of junior managers is to act as frontline entrepreneurs who are quick to spot the opportunities that come by. By implication, the middle management has the crucial task of explaining the corporate purpose to lower level employees in terms of operating parameters. They also have to convey the concerns of junior employees in a language that the top management understands. Such a role demands an extraordinarily high level of emotional maturity on the part of middle level managers. It may be pointed out here that many Japanese companies have become world-beaters, primarily because of their strong middle managers, who have handled key assignments in product development and operations. Unfortunately in India , in many companies, middle class managers are caught up in organisational politics and have little time to play the role conceived for them.

Why is it that in spite of having such a large pool of talented manpower, our companies find it difficult to become truly global players? On a trip to the US a few years back, I traveled extensively across the length and bread of the country by one of the leading domestic airlines. What struck me throughout my tour was their pathetic service. In-flight catering arrangements were poor and the aging crew did not even have the stamina to move around, to find what passengers needed. Anyone asking for things like magazines or a second round of fruit juice received cold stares from the airhostesses. Based on these experiences, I just could not help feeling pity for our own Indian Airlines, Get Airways was still a small entity then) which regularly receives caustic criticism in the Indian press for the poor service.

On my return, when I boarded the Indian Airlines flight from Madras to Hyderabad , I realised that Indian Airlines was indeed much better than the US airline. The ticket clerk looked more confident on the computer keyboards. The airhostesses received me with broad smiles as I boarded the aircraft and the one-hour flight took off right on time. A little later, a sumptuous high tea was served, the likes of which the US airline did not offer me even during lunch-time on long flights of 4-5 hours. I was now convinced that Indian Airlines was much better than it was being made out to be. Then suddenly, I noticed something on the aisle and turned around to see what was going on. One airhostess was arguing with the chief stewardess. Apparently she had been asked for some report and she did not like to be "disturbed". The matter did not end there. I heard the airhostess continuing to grumble loudly about her superior, as she was serving coffee. The US airline had offered pretty ordinary service but I had never seen crew members fight among themselves.

As individuals, we Indians are brilliant. We are the best when it comes to solving a complicated differential equation or writing a computer programme. Some of us speak and write better English than many Americans. An average Indian employee has more years of formal education, compared to his US counterpart. Yet all these qualities are nullified by one basic handicap, a poor attitude that inhibits teamwork. Petty egos ensure that more time is spent in arguing with and critcising other colleagues than working with them constructively towards a goal. Unless, this attitude changes, Indian companies will continue to struggle and fail to deliver. Trust and teamwork are basic prerequisites for globalisation.

Another issue to be addressed is the short-term orientation of most Indian companies, which view international expansions as a way to make a quick buck, not to build global brand equity. Suresh Krishna of Sundaram Fasteners explains the importance of long-term orientation with the example of a recent strike on the US West Coast ports that halted cargo movement. SFL was supplying radiator caps to General Motors (GM) through the West Coast. The shipments had to come to a halt. SFL, therefore, airlifted radiator caps to GM in Detroit , spending almost double the value of the caps on just airfreight. This wiped out SFL's profits but Krishna believes the effort was worth it because reliability is non-negotiable for global customers.

DS Brar, former Ranbaxy CEO has emphasised the importance of patience and determination: The mindset to create a global company is the most important thing. Call it being a visionary. Call it being a dreamer. Actually, you need to have a bit of both these traits to first begin thinking global, and then follow through successfully. Strategy comes later…. The mindset allows you to perseveres and not be deflected from your goals. There is temptation to make quick money if you go out of India . In other words, when you are going global, you need to take hard decisions at strategic points so that your long term is not sacrificed for the short term. And that comes from the right mindset."

Conclusion

For India corporates, the coming years will be crucial. Some of them will make bold, aggressive moves and emerge as MNCs in there own right. Others will make tentative moves with out conviction, find the going tough, and will in all probability, be swallowed by foreign MNCs. What is urgently needed is a new mindset and a vision that will accept globalisation as a business philosophy rather than as a way to make a little more money through labor cost arbitrage or tax benefits.

Not all Indian companies are in a position to globalises. Indeed, it would be foolish on their part to think of globalising before developing core strengths. A framework developed by Niraj dawar and Tony frost provides useful guidance to Indian companies in this context. Depending on the pressures to globalise and the transferability of their competitive assets to new markets. Indian companies can select one of four strategies:

Dodger: In industries where the pressure to gloablise is high, but capabilities are limited, they can either turn into focused, purely domestic players or form partnerships with MNCs. Nicholas Piramal seems to be moving in this direction.

Defend: In industries where the pressure to gloabalise is not very high, they can operate independently in a focused area in the domestic market. Bajaj Auto's scooter division probably belongs to this group.

Extend: Sometimes, it may makes sense to go global selectively, focusing of overseas markets. Which are similar to the Indian market in terms of consumer preferences, distribution channels or government regulations. This strategy is relevant when assets are transferable to other markets but the pressure to globalise is low. Asian Paints seems to fall in this category.

Contend: Indian companies can upgrade their skills and resources and expand globally, when assets are transferable and the pressure to gloabalise is high. Many Indian software companies potentially belong to this category but none has made sufficient progress till date in developing truly distinctive competencies or in moving up the value chain.

Endpoint

Globalisation creates new opportunities but involves new risks. Such risks can be managed effectively only when there is a strong foundation. Development of strong capabilities, competencies and significant experience by serving demanding Indian customers must precede globalisation. Suresh Krishna feels one should first build the home-base. The company should be excellent in quality, process efficiency and productivity, should be technology-savvy and must be extremely responsive to

customer needs.

Starting with exports is always a better idea. It helps companies understand global markets. In general, it is risky to set up a manufacturing unit abroad when the company is not a recognised name in internationally. Developing credibility and a strong reputation involves a lot of hard work. In the case of SFL, awards like Deming that have been won by SFL's sister companies, Sundaram Brake Linings and Sundaram Clayton, or the GM Supplier of the Year, won by SFL five years in a row, have played an important role in establishing credibility with international customers.

S Ramachander, a reputed academician and respected analyst, feels that for Indian companies which have never had to deal with foreign businesses in any way, the safest and the most sensible option is to begin with the Mro-Asian region. A good option would be to look at markets which resemble India . The SAARC countries and ASEAN are similar to India in terms of purchasing power, consumption patterns, savings habits and performance expectations. Indian textiles, tea, jute, coffee, spices and other products have already established a strong following in such markets.

Ramachander adds that next to India-like markets, organisations must target markets that are large and have similar profiles in terms of political, social and cultural factors. Thereafter, various specific issues need to be considered. What is the currency risk involved? What has been the recent experience of Indian companies trying to penetrate these markets? What is the political risk? How much of extra learning is needed in order to understand the customer needs and preferences of that market? What is the intensity of competition? What are the initial costs of market entry? Based on this checklist, one can rate countries and decide the entry strategy.

Ultimately, globalisation is all about a leap of faith. One has to take the plunge and hope for the best. The risks involved are formidable but for those who manage them well, the returns can be really attractive.

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