

Global Consulting
*Insights for Management Consultants in Enabling Indian
Companies to Go Global*

BY

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ABSTRACT

This article draws on the experiences of a few Indian companies that have successfully gone global in their market and operational reach. It has been written on the basis of discussions and interviews with 45 CEO's responsible for global operations of Indian companies. There are many challenges faced by them in their quest for a global market share and these are highlighted in the article. The article takes a peek into the future of business strategy for such firms and the implications for knowledge gathering and research in management. Directions for consulting to such businesses have also emerged emerge as a result of the explorations of this article.

GLOBALISATION AND THE INDIAN ECONOMY

India was a traditionally managed protected economy for many years after independence. The socialist zeal that had led to the independence movement continued to power the initiatives taken by the government, and led to a spate of growth in national and state level public sector undertakings. The world around, however was undergoing a change in a different direction. Capitalism had taken root in the western world, the communist countries were disintegrating post perestroika, and the buzz was about free market economy and several neighboring Asian countries were unleashing their economies. India experienced its first spate of economic liberalization in the year 1991-92 when Manmohan Singh, our current Prime Minister was the Minister of Finance. What began as first tentative steps, gathered an irreversible momentum and liberalization, privatization and globalization had begun. In the fourteen years since, Indian industry has been going through a process of adjustment to the new emerging contexts. Having gone through forming and storming processes that saw voluntary retirement schemes for manpower reduction, business process re-engineering, equity restructuring, etc, Indian companies are now in the first stages of an economic boom expected to last the next five years or more.

INDIAN COMPANIES GET READY TO GO GLOBAL

A recent phenomenon that is seen today is the process of companies of Indian origin going global in their operations. There can be a lot of room for discussion as to what really makes a company claim Indian origin, as there are many corporates with Indian roots but having some degree of Foreign Direct Investment, many MNC's of non-Indian origin having been in India long enough to be considered Indian (Hindustan Lever Limited) and so on. Similarly, the decoding of the term 'going global' also has multifarious definitions. The term could include companies that add a significant export component to their revenues, or companies that acquire foreign organizations, or companies that set up manufacturing units abroad, or companies that market their brands in foreign soil against foreign competition, or companies that trade internationally in commodities, or companies looking for globally placed supply chains, and so on. For the purposes of this article and study, we will consider a loosely held definition of Indian companies going global, which includes all the above definitions. The essential aim of this article is to explore the nature of the journey of encountering global competition and establishing global presence, and the inherent challenges encountered. The nature of this exploration will throw up avenues and opportunities for Indian as well as non-Indian consultants and consulting firms. The audience for this exercise would be consultants in

the Asian region and the rest of the world, who would use this information as an input in their strategy for the region.

STRATEGIES DEPLOYED IN THE GLOBALISATION PROCESS

Going global takes many shapes and forms for Indian firms. In the competitive race, there is a scramble for global market share. Indian Companies, they deploy many strategies. These strategies enable meeting competition and thriving on a global scale and can mostly be placed in these categories.

1. *Seeking partnerships in the form of mergers, acquisitions, joint ventures, strategic alliances, with foreign partners.* Videocon, a leading company in the white goods sector now has access to R&D facilities of companies it acquired across the globe. Such acquisitions have also enabled the company to have direct access to distribution channels and brand equity of the company in the local market. Similarly, Essel after merging with Propack have become a world leader in packaging. When Tatas acquired Tetley to become one of the leading players in the global tea market.
2. *Expanding the scope of operations by getting into related products or services.* An apt example here would be that of the service companies that are moving up the value chain to offer other high-end solutions and by getting into products. Moving up the value chain as in moving from Business Process Outsourcing (BPO) services to Knowledge Process Outsourcing (KPO) services. Some of the IT service firms are getting into consultancy to offer end to end solutions that provide greater value to the client. Such add-ons in the service provided also facilitate higher operating margins. Some of the IT business majors have also concentrated on the lower end of the value chain like business process outsourcing to expand operations across the globe.
3. *Entering niche markets with high degree of specialization.* Another strategy that companies are adopting these days to foray into the global markets is getting into the niche products. This is especially true for the software companies as is evident from various examples of the Indian companies that have specialized in certain software product categories and have created a place into the global markets. One such company is Impulsoft Pvt Ltd which is one of the few Indian companies wholly focussed on building wireless/Bluetooth OEM products and solutions PCs, Notebooks, PDAs and cellphones for OEMs Similarly, Integra Microsystems Pvt Ltd with its WAP server product Jataayu, has placed itself among the few companies in the world to develop a WAP server. Talisma Corporation, the parent company of Aditi Technologies has already been able to establish itself in the global eCRM market. Non-IT areas see companies like Bharat Forge, Shahanaz Hussein etc. carving niches for themselves.
4. *Searching for new markets in countries hitherto unexplored.* Indian companies have been focusing too much on the western world. But there are many

- opportunities for expansion in nearshore locations like China, Malaysia, Singapore, Phillipines, Dubai etc. Some Indian companies have started looking beyond the US and UK and are entering the developing countries that are yet untapped. Ajanta Quartz is one such example. It completely shifted its manufacturing base to China that has allowed it to produce at a much cheaper rate now. Also to expand globally, Ajanta decided to enter the untapped markets of Africa and South America. Now its major revenues come from these regions.
5. *Global supply chaining.* Today many Indian manufacturers have adopted the practice of global supply chaining. The world is the source of raw materials, components, finished goods. Like the old fashioned nomads, corporates now traverse the globe in their quest for optimizing their manufacturing costs. The logistics and supply chain management skills called for in optimizing the costs are now being learned and applied. Asian Paints has been one of the pioneers among Indian companies to implement global supply chain practices and show results in terms of cost reductions. Asian Paints prowess in managing the complexities of such practices is commendable and has been recognized by the Indian Institute of Materials Management. Continuous use of IT has enabled companies to use global supply chaining to reduce costs and increase service levels.
 6. *Seeking infusion of foreign direct investment.* etc. With convertibility laws coming into the country, India is now seeing infusion of capital from overseas. Such capital is sought in the form of global fundraising through financial instruments, investment of foreign companies in Indian equity, joint ventures and partnerships, and so on.

CEO CHALLENGES: VIEWS FROM AROUND THE WORLD AND INDIA

The fundamentals of building a global organization are similar to building a domestic organization – you need strategy, leadership and a motivated workforce. But it's more complex. Multiple markets, multiple cultures, a global workforce and the need for leaders who can frame the world globally rather than multi-domestically – those factors increase the challenge exponentially.

The Conference Board's global research on CEO Challenges (2004), views from around the world, required 539 CEO's across the world to rank 62 challenges in order of being of the greatest concern and criticality in success and sustenance of business. These are:

1 Sustained and steady top-line growth	52%
2 Speed, flexibility, adaptability to change	42%
3 Customer loyalty/retention	41%
4 Stimulating innovation/creativity/entrepreneurship	31%
5 Cost/ability to innovate	29%
6 Availability of talented managers/executives	26%
7 Tight cost control	25%
8 Succession planning	25%
9 Seizing opportunities for growth in Asia	23%

10 Transferring knowledge/ideas/practices within company 23%

(Source: Reno, Barbara; "The 2004 CEO Challenge: Views from Around the World" The Conference Board, 2004.)

Indian segment of the sample consisted of publicly traded and privately owned firms as well as small, medium and large companies from the manufacturing (Consumer and Industrial) sector, communications/Broadcasting/Publishing/Software/Internet sector, and Financial and other services sectors. Challenges of greatest concern to Indian CEO's revealed in the survey, are:

- 1 Sustained and steady top-line growth
- 2 Stimulating innovation/creativity/enabling entrepreneurship
- 3 Cost/ability to innovate
- 4 Customer loyalty/retention
- 5 Keeping up with other, new technologies
- 6 Speed, flexibility, adaptability to change
- 7 Tight cost control
- 8 Speed to market
- 9 Competitive intelligence
- 10 Employee loyalty/commitment/job satisfaction

(Source: Reno, Barbara; "The 2004 CEO Challenge: Views from Around the World" The Conference Board, 2004.)

Indian CEO's feel that, if we play it right, growth in a global market is possible for Indian companies. They are increasingly learning to manage scale of operations on a global level without compromising on excellence and customer satisfaction. Going beyond boundaries and operating in other countries also means dealing with a workforce that is more multi-ethnic, multi-racial, and has diverse configurations. Sustenance of excellence on the value chain against global standards is called for. Consequently, there is a need for creating speed and flexibility of response in harnessing the intellectual capital of the Indian knowledge worker. Companies are also waking up to the fact that they will come under greater scrutiny for compliance with high standards of corporate governance along with a focus on employee issues, and they will have to meet these standards in order to compete globally.

OUR RESEARCH ON CONSULTING TO INDIAN COMPANIES GOING GLOBAL

Some of the challenges that companies have to encounter in the globalization process can be placed into seven categories, namely

1. Technology
2. Manpower
3. Markets
4. Quality Management Systems
5. Management of Change
6. Governance and Ethics
7. Risk Management.

The author undertook a survey of Indian CEO's to measure the degree and extent of importance assigned to each factor mentioned above. The table below shows the rankings assigned by the CEO's to these factors:

Challenges Perceived by CEO's (n=45)	Ranking in order of importance
Markets	1
Manpower	2
Technology	3
Quality Management Systems	4
Governance & Ethics	5
Risk Management	6
Management of Change & Organisation Culture	7

Clearly, the competitiveness of the international market is the biggest challenge. Grabbing a piece of the pie from local and global competition was ranked number one challenge by 42% of the respondents, followed by manpower challenges with 36% of the respondents giving the highest rank to the people issues.

CEO'S EXPRESSED NEED FOR CONSULTANTS

Qualitative responses to these items asked the CEO's to give more insights into the nature of these challenges and the role of management consulting in meeting these challenges. The issues raised by them were:

Markets:

Consultants play a role in enabling global marketing. Companies need in depth knowledge about entry into foreign markets, in the creation of new markets, how to compete with other global brands, strategy on channels, products, consumer psychology and preferences. Entry strategies, competitiveness of other countries and improvement of value chains in terms of R & D also require due attention. Understanding consumers in other parts of the world and creating localized marketing communications to reach these consumers creates opportunities for cross-cultural market research. Enabling marketing strategy to adapting to cross cultural differences in consumption patterns and media habits.

Manpower:

Global mindset, talent growth in technology and change areas, professionalism, work ethics and global human resource management policies are of utmost importance for the globally-bound workforce. Such qualities can be obtained through proper process management, systems thinking and competency development, especially domain and soft skills. The 45 CEO's surveyed placed a great deal of importance on the role of consultants in sourcing competencies, developing skill sets and managing of performance of diversified workforce. Global compensation management was a challenge for Indian

companies as the capacity to pay varied with the fluctuations in the exchange markets. Training for open and transformational leadership and away from feudal mindsets was where many consultants were seen to be contributing.

Technology:

Technology has to be frequently updated as per changing requirements. One needs to keep abreast with future global technology trends. Companies need to adapt constantly with the ever-changing technological requirements. Also, adapting technology to the local needs of the company is important. Indian and Asian companies have been able to leapfrog the technology curve since they entered the race later. A classic example of this is the mobile phone technology that mushroomed in a developing nation like India when the landline network itself had not completely penetrated the population. The role of technology management consultants will be to enable adoption of technology developed in other countries and also to develop world-class technology and manufacturing practices in India.

Quality Management Systems:

Quality has always been a contentious issue in Indian industry. The inadequate attention towards quality has often been attributed as a reason for India lagging behind in industrialisation against global rivals. However, the opening of the Indian economy in the 90s brought about a sea change in India Inc's attitude. Indian firms then realised the importance of quality as it enabled them to stand up against global competition. The initial phase of the changing scenario was marked by a spate of companies going in for different levels of ISO certification. The second phase was ushered in by the emergence of a vibrant IT industry where quality consciousness was always important. The cascading effect of the entire quality movement has even led to the growth of a consulting sector whose sole aim is to advise and implement quality management practices.

Consultants in India have established their value addition in the implementation of international quality management systems like ISO, Malcolm Baldrige, and other quality standards like PCMM and Six Sigma. Understanding the importance of new techniques in quality systems, bringing in product and process quality assurance systems and so on will enable Indian corporates to remove the question marks on quality of Indian made goods and services.

Governance and Ethics:

Different geographies have different kinds of parameters in terms of governance and ethics. Understanding them is very important. Low cost compliance of law is a challenge. Transparent and responsive administration towards local laws and government regulations has to be ensured. Management Consultants will help in efforts to conform with legal requirements on foreign soil, as Indian companies will now have to hold up to international scrutiny. Consulting firms will be increasingly called on to undertake due diligence of operations abroad and for help in the constitution of boards with independent directors as per local laws.

Risk Management:

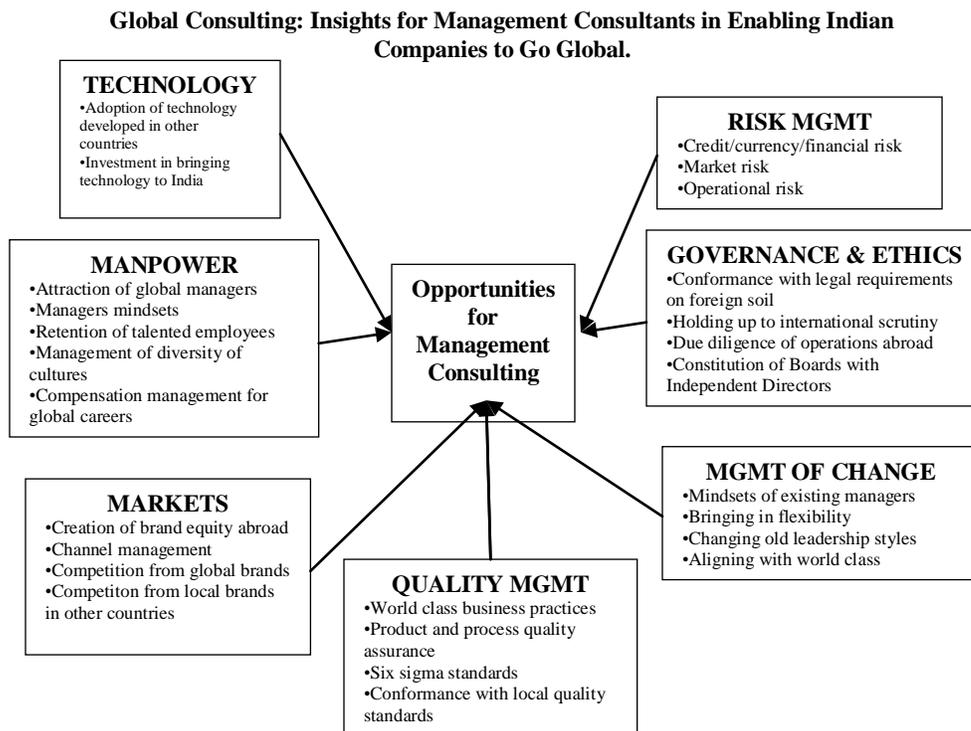
The industry should be able to leverage past experience of analysts and the knowledge base they are exposed, to evaluate the risks that companies take. Financial companies/banks play an important role in making companies aware of the risks and also help in constant evaluation and elimination of credit, currency and financial risks. Management consultants can enable assessment and mitigation of operational risks and market risks. The design and implementation of Enterprise Risk Management solutions for Indian conglomerates will be futuristic consulting opportunities where consultants and consulting firms can add value in the risk management processes.

Management of Change and Organization culture:

Change management needs to be facilitated to bring about a change in mindsets and attitudes of Indian managers, bringing in flexibility, changing old leadership styles away from feudalistic or paternalistic management, aligning the mindsets with world-class processes. A global organisation has to develop a culture that is global yet unique to that company. The global culture transcends local cultures and, at the same time, respects national and ethnic differences."

The decisions need to be made locally that are sensitive to local cultures and consistent with the global corporation's values. Sometimes a best practice in one country may not work in the other country due to cultural differences.

The following block diagram depicts a summary of the above discussion and outlines factors which are critical for consultants to address.



These challenges give rise to consulting opportunities to Indian and Asian firms in the process of going global.

A PEEK INTO THE FUTURE OF BUSINESS STRATEGY

As India evolves and integrates itself with the global economy, business strategy of corporates will undergo evolution. Management blue prints for the future will factor in ethical strategy and governance, enterprise risk management practices, diversity management, talent management, benchmarking of operations, innovation and enterprise. Companies will have to move away from feudal mindsets and towards more transparent and measurable metrics will have to be put in place.

Looking outwards will companies will put in place mechanisms that will feed information on competitive intelligence, strategies for outsourcing and global supply chain management, management of image in the eyes of society and consumers alike, investor behavior management. We will see more innovation in forms of business strategy partnerships as opportunities flow to the faster and stronger minds in the business.

IN CONCLUSION

With India doing exceedingly well in dynamic and fast-growing sectors like Pharmaceuticals and Information technology, we could probably be witness to a large number of mergers and acquisitions. Indian companies backed by sufficient bottom lines and proactive management strategies along with the new-gained recognition of being able to manage large-scale global operations might well be on the lookout for mergers and acquisitions as the predominant strategy to expand their wings and reach out on a global scale. This gives them the adequate exposure to global operations and at the same time is a much safer bet in the short-term to middle-term after which they might look at expanding their own operations by expanding the service/product offerings once they establish themselves in new geographic locations. Also, our survey of 45 CEO's indicates that more companies will now spend substantial amount of time understanding and analyzing the risks associated with doing business in a particular country in a particular sector before looking at other factors as understanding the market place is of foremost importance before other challenges and issues are addressed. Consultants would have a major say in studying the feasibility of mergers and acquisitions and also studying the market places where potential opportunity lies and providing the wherewithal to achieve global eminence.