The Internationalization of Indian Firms: Strategic Issues, Organizational Transformation, and Performance

DISSERTATION

of the University of St. Gallen, Graduate School of Business Administration, Economics, Law and Social Sciences (HSG)
to obtain the title of Doctor Oeconomiae

submitted by

Prasad Oswal

from India

Approved on the application of

Prof. Winfried Ruigrok, PhD

and

Prof. Dr. Narendra Agrawal

Dissertation No. 3727

Digiprint AG, Eschen, Liechtenstein, 2010
The University of St. Gallen, Graduate School of Business Administration, Economics, Law and Social Sciences (HSG) hereby consents to the printing of the present dissertation, without hereby expressing any opinion on the views herein expressed.

St. Gallen, November 23, 2009

The President:

Prof. Ernst Mohr, PhD
Acknowledgements

My sincerest gratitude to my "Gurus", Prof. Winfried Ruigrok and Prof. Narendra M Agrawal for guiding me in this insightful journey of my dissertation. Prof. Ruigrok was always very helpful and insightful with his guidance, and he very gently but firmly challenged me to achieve more. Prof. Agrawal was a pillar of strength and helped me tremendously in the Indian context of the research.

I would like to thank my colleagues and friends including Rong, Peder, Udi, Jon, Yogesh and Alok who were very helpful during long but interesting discussions on various research issues. They made this journey especially pleasant.

My gratitude also to my parents and family who provided me every support I needed during this journey.

The University of St. Gallen provided a wonderful and enriching backdrop for the long hours of research. Switzerland made me feel like home away from home.

While the research may be close to ending, the way was one of very beautiful insights and meditations. I thank God and Existence for that.

November 2009, Prasad Oswal
Ultimately, there may be no long-term sustainable advantage except the ability to organize and manage.

Galbraith and Lawler (1993)
Abstract

The investment firm Goldman Sachs estimates that by 2050 the Chinese and Indian economies will be respectively the second and third largest economies in the world. Already, companies from these countries are emerging as important players on the global landscape. The process of internationalization of firms from these and other emerging economies is however relatively under-researched from an academic point of view. The present study seeks to contribute to this research stream by examining key strategic issues involved in the internationalization process of Indian firms. The study also proposes to look “inside” these firms, to examine evidence of organizational transformation, and the emergence of newer organizational forms and capabilities in this internationalization context.

In the Indian context, subject literature and reports in the media suggest an ongoing transformation in the economy and in Indian companies over the last few years, as India has opened itself to world markets. Working inductively from this observation, this study examines the literature on internationalization theory, organization theory, and the research on organizational transformation and capabilities, to identify what strategic issues and organizational design factors are suggested to be important in the internationalization context. The focus is on the emerging economy context in general and the Indian context in particular. Hypotheses and study questions are developed, which are finally tested via a “grounded” methodology, including case study and secondary data and survey analysis.

Key findings suggest that simultaneous to the opening up of the Indian economy to international markets, leading Indian companies have undergone significant transformation towards newer forms of organizing over the last 5 years. This transformation is seen across a range of organizational variables grouped under structure, processes, human resources, leadership, and culture. The study also finds evidence to support the hypotheses that such organizational transformations are associated with organizational performance. In addition, the findings shed light on key strategic issues such as internationalization-related modes, competitive drivers, geographical foci, and aspirations, as well as drivers of organizational transformation of internationalizing Indian companies. Finally, the study finds evidence of an inverted U-shaped relationship between increasing internationalization and organizational performance in a large sample of Indian companies.

Given its extensive literature review and significant empirical findings, this study could be of particular value to practitioners including top managers of internationalizing companies, policy makers, and to the general academic field.

November 2009, Prasad Oswal
Table of Contents

List of tables and figures .......................................................................................................................... 11

Abbreviations ........................................................................................................................................ 13

Key Words............................................................................................................................................. 14

1. Introduction ....................................................................................................................................... 15

1.1 Problem analysis, research aims and questions ................................................................................. 17

1.2 Definitions ....................................................................................................................................... 19

1.3 Structure of thesis ............................................................................................................................. 20

2. Introduction to the changing institutional context in India................................................................. 23

2.1 The Indian economy a few years back ............................................................................................ 23

2.2 Transformation in the Indian economy over the last few years....................................................... 24

3. Internationalization and key strategic issues facing firms................................................................. 27

3.1 Strategic issue 1 – How and why do firms go international? ............................................................ 27

3.2 Strategic issue 2 – How do firms organize their international activities? ........................................ 28

3.3 Strategic issue 3 – The entry mode decision .................................................................................... 30

3.4 Strategic issue 4 – The internationalization – performance relationship ........................................ 34

4. Internationalization and organizational transformation ................................................................. 36

4.1 The “Process” school ....................................................................................................................... 36

4.2 What drives organizational transformation? .................................................................................... 36

4.3 Organizational transformation as competitive advantage ............................................................... 38

4.4 Internationalization and organizational success factors ................................................................. 40

4.5 “Ideal” MNC Type .......................................................................................................................... 43

4.6 “Excellent” and “High performance” organization types ............................................................... 45

4.7 “Learning” organizations ............................................................................................................... 46
4.8 Proof of the pudding: How much organizational transformation has actually taken place? .......... 49

4.9 Performance implications of organizational transformation ................................................................. 50

4.10 Preliminary model of study ... ................................. 51

5. Conceptualization of internationalization-related organizational variables .......................... 53

5.1 Structure .......................................................................................................................................... 53

5.1.1 Centralization ............................................................................................................................... 54

5.1.2 Formalization and professionalization .......................................................................................... 57

5.1.3 Cross- functional/divisional/geographical teams and collaboration ............................................. 59

5.1.4 Graphical representation of elements of organizational structure ............................................... 60

5.2 Processes .......................................................................................................................................... 61

5.2.1 Operational excellence ................................................................................................................. 62

5.2.2 Achieving world-class quality ......................................................................................................... 64

5.2.3 Innovation and learning .................................................................................................................. 67

5.2.4 Marketing and branding .................................................................................................................. 70

5.2.5 Organizational entrepreneurship ................................................................................................... 72

5.2.6 Organizational integration ............................................................................................................. 75

5.2.7 Organizational renewal .................................................................................................................. 76

5.2.8 Graphical representation of elements of organizational processes .............................................. 78

5.3 Human Resource (HR) policies ........................................................................................................... 79

5.3.1 Selection ....................................................................................................................................... 80

5.3.2 Development and training .............................................................................................................. 83

5.3.3 Appraisal and reward systems ........................................................................................................ 84

5.3.4 Career planning ............................................................................................................................. 85

5.3.5 Graphical representation of elements of organizational HR policies ........................................... 87
Appendix ............................................................................................................................................. 231
Appendix 1) Hypotheses and Questions.............................................................................................. 231
Appendix 2) Some of the earlier works on "high-performance" organizations.............................. 238
Appendix 3) Qualities of "high-performance" organizations............................................................ 240
Appendix 4) Nadir Godrej’s witty poem........................................................................................... 242
Appendix 5) Transformation in organizational variables over 5 years ....................................... 244
Appendix 6) Questionnaire.............................................................................................................. 246
List of tables and figures

Table 1: Formal and informal coordination mechanisms for international operations
Table 2: Characteristics of “ideal-type” MNCs
Table 3: Argyris – Model I and Model II behavior
Table 4: Ways to move beyond excessive centralization
Table 5: Key characteristics of Business Process Reengineering
Table 6: Key themes of Six Sigma
Table 7: Summary of well-known Total Quality Management perspectives
Table 8: Organizational characteristics of innovating firms
Table 9: Organizational factors fostering entrepreneurship
Table 10: Key HR factors in firm internationalization
Table 11: Important HR selection criteria in the firm internationalization context
Table 12: Definitions of “global”, “transnational” and “geocentric” mindsets
Table 13: Characteristics of “global”, “transnational” and “geocentric” mindsets
Table 14: Financial performance at Infosys
Table 15: Financial performance at ICICI Bank
Table 16: Financial performance at Suzlon
Table 17: Organizational transformation at case study companies
Table 18: Growing internationalization of Indian firms from 2004-08
Table 19: Intercorrelations between internationalization modes and competitive drivers
Table 20: Intercorrelations between competitive drivers and geographical focus regions
Table 21: Intercorrelations between degree of internationalization and geographical focus areas
Table 22: Organizational transformation – performance summary statistics
Table 23: Organizational transformation – performance correlations
Table 24: Organizational transformation – performance regression

Table 25: DOI-performance summary statistics

Table 26: DOI-performance correlations

Table 27: DOI-performance regression statistics

Table 28: Summary of the quantitative analysis findings

Table 29: Hypotheses and results

Figure 1: Structure of thesis

Figure 2: Forms of organizing for international activities

Figure 3: Internationalization entry modes

Figure 4: Drivers of organizational transformation

Figure 5: Research progress on coordination mechanisms for international operations:

Figure 6: Preliminary model

Figure 7: Elements of organizational structure

Figure 8: Elements of organizational processes

Figure 9: Elements of HR policies

Figure 10: Elements of leadership

Figure 11: Elements of organizational culture

Figure 12: Model of the study

Figure 13: Elements of organizational excellence at Infosys

Figure 14: Importance of internationalization to Indian companies

Figure 15: Is the “Made in India” label an asset or liability?

Figure 16: Aspired level of internationalization 5 years from today

Figure 17: Types of international organizations adopted
Figure 18: Importance of international competitive drivers

Figure 19: Importance of internationalization modes

Figure 20: Importance of different regions to Indian companies

Figure 21: Type of change at companies surveyed

Figure 22: Transformation in organizational structure variables

Figure 23: Transformation in organizational process variables

Figure 24: Transformation in organizational HR variables

Figure 25: Transformation in organizational leadership variables

Figure 26: Transformation in organizational culture variables

Figure 27: Perceived importance of organizational structure variables

Figure 28: Perceived importance of organizational process variables

Figure 29: Perceived importance of organizational HR variables

Figure 30: Perceived importance of organizational leadership variables

Figure 31: Perceived importance of organizational culture variables

Figure 32: Scatterplot of Total Income / Foreign Income

**Abbreviations**

EMNC: Emerging Economy Multinational Corporation

FDI: Foreign Direct Investment

IT: Information Technology

M&A: Mergers and acquisitions

MNC: Multinational Corporation

p.a.: Per annum

%: percentage
RBV: Resource-based View

TQM: Total Quality Management

USD: United States Dollar

**Key Words**

Organizational Transformation, Organizational Design, Structure, Process, HR policies, Leadership and Governance, Culture, Emerging economy, Multinational Corporation, Emerging Economy Multinational Corporation, Innovative Forms of Organizing, Internationalization, Internationalization Theory, Resource-Based View, Organizational Capabilities, India, ICICI Bank, Infosys, Suzlon
1. Introduction

The setting of the present study in India offers a fascinating environment for research on organizational change. The Indian economy has undergone significant institutional transformation over the last 15-17 years. After following decades of socialist-tending policies, a decisive break came in 1992, when the then government led by Prime Minister Narasimha Rao and Finance Minister Dr. Manmohan Singh acted to contain a balance of payments and economic crisis facing the country, by making a radical shift to an economic regime that embraced market forces. This change in policy direction has continued more or less evenly since, and has paid off handsomely, with the Indian economy moving beyond its earlier orbit of 2-3% p.a. annual Gross Domestic Product (GDP) growth rates to a 6-9% p.a. growth range. In the process, India has come to be a favorite of the international business and investment communities (BusinessWeek, 2005a). Raghuram Rajan, erstwhile economic counselor and director of the research department at the International Monetary Fund sums up the mood amongst international investors on India with the words: "India fever is sweeping through the world's investment community" (McKinsey, 2005b).

At the same time, local Indian companies have taken advantage of the liberalized policy environment and their own entrepreneurial abilities, to face up to the challenges of competing in the global marketplace. Exports from the Indian economy have been growing at double-digit rates for the last several years, and recently there has been a very strong trend of outward foreign direct investment (FDI) and international merger and acquisition (M&A) activity by Indian companies (Indian Commerce Ministry Website). An Associated Chambers of Commerce, India (ASSOCHAM, 2007) study had predicted that in 2007 the amount of outgoing FDI from India at around USD 15 bn would exceed the amount of incoming FDI. The actual figure for outgoing FDI in 2007 turned out to be even higher at nearly USD 18 billion (Pradhan, 2009). This represents an 18-fold rise over a 7-year period, as the corresponding outward FDI figure for the year 2000 was USD 1 billion (Time, 2006). In the course of their internationalization process, Indian companies appear to be moving beyond their reliance on traditional competitive advantages like lower labor and infrastructure costs and are rising up the value curve, by offering increasingly sophisticated products and services for international markets. At the same time Indian companies are also competing successfully internationally in areas like product and process design, marketing, branding, etc (Ahmad and Chopra, 2004; BusinessWeek 2005 a and b; Ghoshal, Piramal and Bartlett, 2000).

International management literature suggests that the success of global firms depends on their ability to cope with heterogeneous institutional, cultural and competitive environments (Ricks, Toyne and Martinez, 1990), to coordinate geographically dispersed resources (Kim and Mauborgne, 1993; Roth, 1995), and to leverage resources across national borders (Bartlett and Ghoshal, 1989; Hitt, Hoskisson and Kim, 1997). In striving for global success, organizational design and transformation therein is

---

15
considered an important organizational capability leading to competitive advantage (Bartlett and Ghoshal, 1992; Ghoshal and Westney, 1993; Martinez and Jarillo, 1989, 1991). However, while there is a fair amount of research on organizational transformation and capabilities in multinational companies from developed economies, studies focusing on these aspects in firms from emerging economies are still rare (Hoskisson, Eden, Lau and Wright, 2000; Peng, 2003).

In this light, several authors have suggested that for the theory of the firm to be complete, more research should be directed towards firms in planned economies in transition (Peng and Heath, 1996 following Boisot and Child, 1988 and Carroll, Goodstein and Gyenes, 1988). The reason for this suggestion is that these economies have undertaken fundamental transitions towards becoming market-based economies since the 1980’s, and offer organizational researchers fascinating grounds to refine and test theories and develop new ones.

Other reasons mentioned in the literature for studying internationalizing firms from emerging economies separately from their counterparts in developed economies include the formers' idiosyncratic qualities such as: 1) There exists a capital gap between firms from emerging economies and those from developed economies (Svetlicic and Rojec, 1994). 2) The legal and institutional framework and factor markets necessary to develop organizational transformation have been slow to develop in emerging economies (Uhlenbruck, 2003 following Spicer, McDermott and Kogut, 2000; Swan, 1997). 3) Stylized firms in transition economies are mainly state-owned without complete discretion to acquire and allocate resources and with little experience and confidence to compete in a market-based economy (Peng and Heath, 1996, following Carroll, 1993; Hannan and Freeman, 1989; Lammers and Hickson, 1979). 4) Emerging economy firms might be burdened with mediocre assets and managers who lack the skills, resources and experience to manage firms in competitive global environments (Uhlenbruck, 2003 following Baird, 1994; Filatotchev, Hoskisson, Buck and Wright 1996; Lyles and Nellis, 1999; Peng and Heath, 1996). 5) The magnitude of change in emerging economies in transition might overwhelm managers’ and employees’ cognitive abilities (Newman, 2000), and the differences in underlying institutional infrastructures between emerging and developed economies might affect managers’ strategic orientations (Garten, 1996). 6) Managerial capabilities that were successful in stable and planned economies are no longer effective in more market-oriented economies (McDonald, 1993; Shama, 1993), necessitating the acquisition of newer capabilities.

These factors mean that theories and frameworks applicable to MNCs from developed economies might have to be adapted to the special context of emerging economies. Such research in the emerging economy context has the potential of highlighting idiosyncratic developments in organizational forms as suggested by the structural contingency theory (Galbraith, 1973). In addition, such a study could serve as a useful normative guide for companies from emerging economies with international aspirations. The present study takes on this research challenge of researching organizational strategies and transformation at internationalizing Indian companies.
1.1 Problem analysis, research aims and questions

Emerging economies offer an interesting research opportunity as they undergo transformation to becoming important global players. In recent years, some research initiatives have started in the direction of understanding the response of firms from emerging economies to institutional transitions towards market-based economic systems (Aulakh and Kotabe, 2008).

In an interesting study, Peng (2003), applying institutional theory in the emerging economy context, and building on the work of Child (1972, 1997) and Oliver (1991) on how strategic choices are made, and the works of Leblebici, Salancik, Gopay and King (1991), Peng (2000) and Powell (1996) on how institutional transformation occur, suggests that incumbent firms in emerging economies respond to the opening-up of their economies in a two-stage manner:

1) At first, firms adopt a network-based strategy, leveraging managers’ interpersonal ties and firms’ interorganizational relationships (Powell, 1990) and building on relationships with government authorities (Guillen, 2000; Hillman and Hitt, 1999). In doing so, the firms do not actively initiate strategic transformations, but mainly react to the existing crisis, and hope to “muddle thorough” the transition with minimal changes (McCarthym and Puffer, 1995). Peng offers the example of India in the late 90’s, where established business groups, when faced with government liberalization policies, significantly enhanced – instead of reducing – their scope by extending their network ties with more sectors of the economy (Khanna and Palepu, 1999).

2) With the passage of time, regulatory, normative and cognitive pressures (Scott, 1995) push these firms to develop organizational capabilities and rely less on networks for competitive advantage. This push, also referred to as market-based strategy, concentrates on competitive resources and capabilities like quality, financing, marketing, etc, which are independent of the firm’s networks, relationships and connections (Barney, 1991). The push for a market-based strategy leads firms to “unlearn” organizational routines (Oliver, 1992, p. 585). In addition, the success of domestic start-ups and foreign companies encourages some of the established incumbents to pursue capability-based strategies (Lyles and Salk, 1996; Shenkar and Li, 1999).

Continuing in the tradition of this research stream, the present study will focus on two key research areas: 1) understanding the strategic direction Indian firms are taking as they internationalize, e.g. what modes they are using, what their international aspirations are, which geographical regions they are targeting, and so on. 2) examining whether these firms are indeed moving towards newer, “market-based”, “excellent” or “efficient” organizational forms over the last few years (i.e. organizational forms suggested to be important or useful in facilitating internationalization success), detail the constituents of this transformation, and test whether there are any performance implications of this organizational transformation.
In taking up this research challenge, this study draws inspiration from the INNFORM research program – a multi-researcher, multi-method research project, which sought to “map the contours of contemporary organizational innovation, to examine the performance benefits and other consequences of innovative forms of organizing, and to explore the managerial and organizational processes of moving from more traditional forms of organizing” (Pettigrew et al, 2003, p. xi).

And in doing so, the present study also accepts the challenge of Hedlund’s call (1993) for further research on operationalizing some of the more speculative models of the transnational corporation like geocentric, transnationals, heterarchies, multi-focal, horizontal, etc, and for the development of more explicit processual frameworks through direct involvement with leading firms, especially those from outside the USA and Europe.

Building on the methodology adopted by the INNFORM study (Pettigrew et al, 2003), the present study has a progress aim, a performance aim and a process aim. Additionally, the present study also has a strategic analysis aim. These are explained as follows:

- The progress aim is to map the extent of organizational transformation towards newer forms of organizing in a large sample of internationalizing Indian firms.

- The performance aim is to examine the performance implications of these newer forms of organizing.

- The process aim is to study in detail the steps involved in this transformation.

- The strategic analysis aim is to understand key internationalization-related strategic choices, and the perceived importance of newer forms of organizing in the firm internationalization context in India.

The progress implications will be studied through the instrument of a survey of Indian internationalizing companies. The performance implications will be tested with performance-related data available through secondary sources (as the dependent variable) and data on organizational transformation collected through the survey (as the independent variables). The process implications will be analyzed via the medium of case studies. Finally, the analysis of strategic choices before internationalizing companies from India will be done with a mix of case study and quantitative analysis methods.

This multi-method approach has been adopted to ensure the availability of both statistically verifiable results on transformation and performance implications, and rich and detailed insights into the actual steps involved in the transformation process.

The main research questions the study attempts to answer are:
A. What are some of the key organizational variables described in the literature as being important in the firm internationalization context?

B. What are some of the strategic decisions facing Indian firms going international?

C. To what extent are Indian companies moving towards newer forms of organizing as they increase their international profiles?

D. Which individual elements of the organizational design are more important in this process?

E. To what extent does this increase in internationalization and organizational transformation have an impact on organizational success?

1.2 Definitions

a) Emerging Economy

This study follows the definition of Hoskisson et al (2000) of an “emerging economy” as a country that satisfies two criteria: a rapid pace of economic development and government policies favoring economic liberalization and the adoption of a free-market system.

b) Multinational Corporation (MNC)

Bartlett Ghoshal and Birkinshaw (2003) define a multinational corporation as a one that has substantial direct investment in foreign countries, actively manages those operations, and regards those operations as integral parts both strategically and organizationally.

This definition underscores the foreign direct investment aspect of operating internationally.

Dunning (1988) meanwhile defines multinational enterprises as “companies which undertake productive, i.e. value-adding, activities outside the country in which they are incorporated”.

Building on these definitions, the present study defines a multinational corporation (MNC) as a company that undertakes productive activities outside the home country.

c) Emerging Economy Multinational Corporation (EMNC)

Following definitions a and b, an emerging economy multinational corporation (EMNC) is defined as a company from an emerging economy, which undertakes productive activities outside the home country.

Note: The definitions of MNC and EMNC above include, both, firms that only export out of the home country, as well as those firms that have FDI in one or more foreign countries.
1.3 Structure of thesis

According to Yin (1998, p. 236), when the available literature or existing knowledge base offers few hints for conceptual frameworks or clearly defined propositions, a new empirical study is likely to be exploratory in nature. Given that the context of the present study – internationalization of firms from emerging economies – is relatively under-researched (Hoskisson et al, 2000; Peng, 2003), this study will be partly exploratory in nature. Nevertheless, the analysis will build on earlier works on internationalization that have focused primarily on the developed economy context.

The study proposes to use a triangulation of methodologies approach (literature review, case studies, and statistical analysis of survey and secondary data) to develop the best answers to the research questions discussed in the previous sub-section. This approach combining qualitative and quantitative research has been suggested to provide a richer context for interpreting and validating results and lead to a wider coverage of the problem space (Wood, Daly, Miller and Roper, 1999 following Kaplan and Duchon, 1988 and Wynekoop, 1985). Furthermore, Brewer and Hunter (1989) argue that multi-method research helps address shortcomings of single-method research by dealing with research problems with “an arsenal of methods that have non-overlapping weaknesses in addition to their complementary strengths”. This research methodology was also adopted in the INNFORM research project (Pettigrew et al, 2003) on organizational design described earlier.

The hypotheses and questions are of the following type:

- **Hypotheses** target the progress and performance aims of the thesis, i.e. to test organizational transformation towards newer forms of organizing and examine the performance implications thereof. This will be done with survey and secondary quantitative data.

- “**Transformation Questions**” target the progress aim of this thesis and map the extent of organizational transformation in individual organizational variables. This will be done with survey data.

- “**Process Questions**” are directed towards the process aim of this thesis, i.e. to study in detail the steps involved in this organizational transformation. This will be done with case study data.

- “**Strategy Questions**” are directed towards the strategic analysis aim of this thesis, i.e. to understand key internationalization-related strategic choices before companies from India, and which organizational variables are perceived to be important in the internationalization context. This will be done with both survey and case study data.
The study is structured as follows: Starting with an overview of institutional change in India, the paper moves to a review of the literature on international management theory to identify key strategic issues before internationalizing firms. Next, the literature on organizational design and capabilities is reviewed to understand what organizational configurations are considered “desirable”, “efficient” or “excellent” in the firm internationalization context. This is followed by conceptualization of organizational variables. Finally, the strategic and organizational issues are studied with case study and quantitative analysis.
Figure 1: Structure of thesis

Introduction, definition of key terms and structure of thesis
CHAPTER 1

Institutional transformation in India
CHAPTER 2

Internationalization and key strategic issues facing firms
CHAPTER 3

“Excellent” forms of organizing and their performance implications
CHAPTER 4

Conceptualization of organizational design variables and model of study
CHAPTER 5

Methods of study
CHAPTER 6

Case study analysis
CHAPTER 7

Quantitative analysis
CHAPTER 9

Conclusion
CHAPTER 10

Source: Self
2. Introduction to the changing institutional context in India

In the fifteenth century, India and China were two of the largest economies in the world, together accounting for about 50% of world GDP. Both countries subsequently went into an economic decline, only to reemerge in the last few of years as the centerpieces of global attention and as key drivers of current and future world economic growth (BusinessWeek, 2005a, McKinsey, 2005b). Other countries like Brazil and Russia are also today favorites of international investors after several decades of very poor economic growth. Goldman Sachs (2003) estimates that by 2050 the BRIC countries comprising Brazil, Russia, India and China will eclipse the current G6 in combined size of the economy, with China and India emerging as the 2nd and 3rd largest economies worldwide respectively behind the United States. Of these four BRIC countries, India has the potential for the highest growth rates of about 5% p.a. over the next 50 years, according to the report, and thus offers a fascinating backdrop for a study on internationalization and organizational transformation.

As mentioned earlier, the Indian economy went through a process of reforms and liberalization starting in 1992. This institutional transformation had some important implications for Indian companies, as with it, old sources of advantage including access to licenses and embeddedness in government networks became less important, and companies had to learn new capabilities like operational efficiency, marketing skills, etc (Ahmad and Chopra, 2004; Ghoshal et al, 2000). Several companies seem to have responded positively to these challenges by transforming themselves from formerly family or government-driven, and very often bureaucratic and inefficient organizations, to professionally managed and market-oriented entities, which have the self-confidence to compete in international markets. This transformation in the institutional and organizational environment in India is detailed in the next sub-sections.

2.1 The Indian economy a few years back

In a witty poem recited at the World Economic Forum/Confederation of Indian Industry’s annual India Economic Summit in December 1999 (Forbes, 2002), Nadir Godrej, then managing director of Godrej Soaps Ltd called on Indian companies to move beyond traditional competitive advantages based on low costs and a protective intellectual property rights regime, to competing on the basis of innovation. The poem is reproduced in Appendix 4 and offers an insightful look at the Indian institutional context in the late 90's. Academic scholars have also suggested that market-unfriendly policies, red tape, and favoritism led generally to sub-optimum growth in the Indian economy around the pre-1992, pre-liberalization times.

For instance, Bhagwati (1993, p. 46) outlined three major reasons that stifled efficiency and growth in the 70’s and 80’s:
1. extensive bureaucratic controls over production, investment and trade;

2. inward-looking trade and foreign investment policies;

3. a substantial public sector, going well beyond the confines of public utilities and infrastructure.

McKinsey and Company (2001) adds that some of the organizational factors responsible for the low productivity of Indian companies included excess labor, poor organization of functions and tasks, lack of scale, and lack of viable assets. According to the report, poor organization of functions and tasks reflected:

1. Lack of multi-tasking: Indian companies followed “Taylorian” models of functional orientation and high task specialization leading to significant downtime.

2. Lack of centralization of common tasks: Common and repetitive tasks were often performed at different locations, each working below capacity.

3. Low workforce motivation: Poor management and lack of incentive payments reduced workers’ motivation and hence productivity.

4. Poor managerial practices: These included insufficient planning, poor design and lack of delegation.

In the last few years, however, many constituents of the Indian economy seem to have overcome these shortcomings and achieved success both within and outside India. This move is described next.

2.2 Transformation in the Indian economy over the last few years

The changes in the Indian economy over the last years are highlighted well by the IMD World Competitiveness Yearbook (2005). The study suggests that business efficiency in India went up between 2001 and 2005 with the country rising from rank 42 to rank 23. IMD defines business efficiency as the “extent to which enterprises are performing in an innovative, profitable and responsible manner”. In the Indian context, stronger positive transformations in business efficiency were noticed in the labor market, management practices, and attitudes and values.

Several examples of transformation in Indian companies have also been described in the popular media. BusinessWeek (2003a and 2005b) reports that Bharat Forge Ltd. went through a restructuring around 2000 that resulted in cutting the workforce by 35% and bringing in of new technology to increase efficiency and launch new products. This resulted in a turnaround, and by 2005, Bharat Forge was competing successfully internationally, and even bought four foreign companies in 21 months. A similar restructuring was witnessed at Tata Steel, which was faced with a difficult domestic market situation because of lowering of tariffs following India's liberalization process. The company slashed its 78,000 workforce in half between 1995 and 2003, spent $ 1.8 billion on modernizing its plant and
moved to higher value-added products like steel for manufacturing cars. As a result, productivity doubled and its exports stood at 15% of total revenues in 2003 (BusinessWeek, 2003a). More recently, even government-owned public sector companies have undergone transformation to emerge as globally competitive entities (Economic Times, 2009).

BusinessWeek (2005b) suggests that corporate India has aggressively restructured itself over the decade preceding 2005, making management more professional and increasing efficiencies, with the result that today Indian companies are globally competitive in a long list of sectors like telecom, auto and auto-parts manufacturing, pharmaceuticals and commodities like steel and aluminum. However, they are still suggested to lack the skills needed in overseas marketing and distribution.

Meanwhile, over the last years some Indian firms have also significantly increased their international presence. Examples include Reliance Industries Limited - India’s largest private sector company. Just over 2005-08 foreign sales rose about 350% to reach USD 20 bn and in 2008 comprised over 60% of total sales (Reliance 2005 and Reliance 2008). Infosys – one of India's largest IT companies – saw foreign sales rise 328% over the period 2003-08 (Infosys Website – Financial Data) with export revenues comprising 98.6% of total revenue in 2008. Indian business in general is seen going increasingly international, as indicated by the over 20% annual rise in India's exports over the last few years (Commerce Ministry of India Press Release, 2007).

Outbound FDI from India has also increased significantly over the last few year. Recent high-profile acquisitions include Tata Steel’s takeover of Corus for USD 13 bn, Tata Motors’ takeover of Jaguar and Land Rover from Ford, and Hindalco’s USD 6 bn takeover of aluminum major Novelis. Others include the takeover of German pharmaceutical manufacturer Betapharm by Dr. Reddy's for a consideration of over $ 500 million (Betapharm, 2006) and several acquisitions made by companies like Bharat Forge, Reliance and the Tata group over the last years (BusinessWeek, 2005a). This figure of outbound FDI reached USD 17 bn in 2007-08 according to figures quoted by the Reserve Bank of India (IBEF, 2008). Amit Chandra, joint managing director for Merrill Lynch India is quoted as predicting, "the next three to five years will see the emergence of Indian multinationals" (BusinessWeek, 2005a).

One of the drivers of this increase in outbound FDI has been the easy availability of liquidity to Indian companies over the last few years. Ratan Tata, head of the Tata group of companies, suggests in an interview with the Financial Times that the ability of Indian businesses to innovate around the plentiful obstacles to business in India like poor infrastructure, red tape, etc gives companies like Tata Motors their business edge internationally (Financial Times, 2007). The Financial Times article opines that reasons for the recent international competitiveness of Indian companies include 1) Indian companies going abroad leverage low-cost labor in India by completing a bulk of their labor work in India; 2) some companies use international acquisitions to rise up the value chain; 3) skills developed in serving
consumers at the bottom of the economic pyramid in India are then leveraged abroad; 4) Indian banks also have a competitive advantage in the fact that their cost per transaction is one tenth that at western banks on account of their use of the latest technology at a fraction of the cost of developed countries; and 5) the strong economic growth in India has also left the balance sheet of Indian companies in a very strong state – this allows them to leverage to raise equity and debt for international acquisitions.

The above discussion suggests that there has been an institutional shift in the Indian economy towards a market-based system and greater openness to the outside world over the last few years. The review also reveals instances of Indian companies that have responded to this institutional shift with a move towards greater organizational effectiveness and to a significantly higher international presence and posture.

Based on this inductive insight, the next sections will begin to understand strategic issues before internationalizing firms.
3. Internationalization and key strategic issues facing firms

3.1 Strategic issue 1 – How and why do firms go international?

International management research suggests that organizations increasingly depend for their long-term success and survival on a strong international presence (Barkema and Vermeulen, 1998; Bartlett and Ghoshal, 1989). The benefits of such internationalization range from leveraging of R&D and knowledge across countries and responding to foreign competitors in their domestic strongholds (Bartlett and Ghoshal, 1989); increasing the range of cultures (Barkema and Vermeulen, 1997; Hofstede, 1980), customers and competitors (Porter, 1986). International diversification is known to lead to better performance (Buhner, 1987; Grant, 1987). The positive effects arise from market opportunities (Buhner, 1987), stabilization of returns (Caves, 1982), market power and return to intangible assets (Grant, 1987).

Academicians however caution that there are also risks associated with going international, in terms of dealing with unfamiliar business, legal and cultural environments and operating in markets where the firm is relatively unknown. Especially, products and services from emerging economies are suggested to suffer from a "liability of origin" (Zaheer, 1995), as they are often perceived to be of poorer quality than comparable products and services from developed countries. In the Indian context, Bartlett and Ghoshal (2000) call this bias the "liability of Indianness".

International management theory also sheds light on the question of what drives firms to go international and how they do so. Some of the early research in international management includes the works of Hymer (1976) and Vernon (1966). *Vernon’s Product Life Cycle theory* explains the life cycle of an innovative product from its initial manufacturing in a developed country like the USA to being eventually produced in developing countries. According to this theory, product innovation typically takes place in developed countries in the early stages of the product life cycle. As the product matures, mass production techniques are employed and international demand for the product arises leading to its export. Finally, as the product gets standardized, companies start to manufacture in low-cost locations and developing countries, bringing production closer to the point of consumption. Oftentimes, the product is then exported from these foreign locations back to the home country. Vernon’s theory has applicability to the context of emerging economies, because many of these economies including India are developing into low-cost manufacturing locations for the export of goods to developed countries. Meanwhile, *Hymer* (1976) building on his 1960 doctoral dissertation suggested that firms went international to leverage “special advantages” including product market power, superior production techniques, imperfections in input markets, and first-mover advantages. Possessing such special advantages, a national firm could be profitable outside the home country despite the higher costs resulting from its relative ignorance of local conditions abroad.
Prominent research that followed these earlier works includes Knickerbocker’s strategic behavior approach (1973), which explained internationalization as the behavior of firms copying the actions of competitors in the course of oligopolistic competition by matching each other’s investments in foreign markets. Williamson’s transaction cost analysis (1985) meanwhile approached internationalization through the lens of transaction costs, wherein the firm had to make a decision between using the market as a mechanism to export goods, and internalizing these activities in order to minimize the costs of doing so. Dunning (1988) brought many of these earlier theories of internationalization together in his eclectic paradigm, which identifies three major advantages that multinational companies possess: 1) Ownership specific advantages (O) including property rights and/or intangible asset advantages and advantages of common governance; 2) Location-specific advantages (L); 3) Internalization-incentive advantages (I).

The present section, together with the discussion in the previous Section 2.2, highlight some of the suggested competitive drivers of Indian firms going international such as presence of a low-cost base, superior product and service quality, availability of financial resources, and organizational skills. The present section also highlights issues such as the importance of internationalization to firms, how firms go international, and the risks associated with the “liability of origin”. Based on this discussion, the study’s first questions are presented next, which will be tested empirically towards the end of the research:

**Strategy Question 1:** How important are international markets to the future success of Indian companies?

**Strategy Question 2:** What is the relative importance of competitive drivers such as low-cost base, superior product and service quality, adequate availability of financial resources, and organizational skills in achieving internationalization success at Indian companies?

**Strategy Question 3:** Is the “Made in India” label more of an asset or a liability in facilitating the international market entry of Indian companies?

**Strategy Question 4:** What levels of internationalization do Indian companies aspire 5 years from today?

The discussion next moves to another strategic issue – how do firms organize themselves for their international forays?

### 3.2 Strategic issue 2 – How do firms organize their international activities?

In their seminal article on organizational forms for multinational businesses, Stopford and Wells (1972) argue that international expansion adds complexities to the management task, as the organization must learn and develop different skills and procedures before merging the new activities
into the overall system. The organizational development as companies increase their international presence is suggested to proceed along the following phases:

1. In the first phase, foreign subsidiaries are established and tied to the parent firm through loose financial ties in the manner of a holding company.

2. Subsequently, organizational consolidation takes place and an international division is developed. This division is typically considered an independent part of the organization and not subject to the same strategic planning applicable to domestic activities.

3. In the third phase, strategic planning is carried out on a consistent and worldwide basis and the structure of the foreign activities is altered to provide closer links with the rest of the structure. This may take the form of a global product structure, wherein product divisions have worldwide responsibility, or area structures, wherein each division is responsible for one geographical division in the world market, or a mix of the two, wherein some product lines are managed on a worldwide basis and others managed by area divisions. Some firms, however, feeling that none of the three global structures are entirely satisfactory, create staff groups or management committees with responsibilities that cut across formal boundaries of the organization – a sort of a grid (or matrix) structure.

In a similar light, Hedlund and Kogut (1993) describe four organizational structures for international organizations:

1. The first is the mother-daughter structure wherein headquarters or the CEO is personally in charge of each foreign unit, which serves its own market and is largely permitted to run its business fairly independently. This structure is mostly used by smaller MNCs in the beginning of their internationalization.

2. The second is the international division wherein all international units are lumped together in one unit. This structure facilitates the creation of a strong management team with deep international experience and vision.

3. Another alternative includes the global product division, which gives power to product divisions over foreign sales and operations as well as over worldwide product development and is introduced with the intention of strengthening global coordination and facilitating the transfer of know-how between regions.

4. Finally, the matrix structure attempts to gain advantages of both product and geographical integrations. A common version is a product/regional matrix with strategic and long-term responsibilities assigned to the product dimension while operational responsibilities are placed with the regional or country organization.
These suggested organizational forms are shown graphically in the following diagram:

Figure 2: Forms of organizing for international activities

![Diagram showing forms of organizing for international activities]

Source: Self

Applying the above-mentioned models to the Indian context, the present study seeks to know the following:

**Strategy Question 5: How are the international operations of Indian companies organized, i.e. whether as international division, global geographic structure, global product structure, or mixed structure?**

The next strategic issue addressed is what are some of the foreign market entry choices before internationalizing firms.

### 3.3 Strategic issue 3 – The entry mode decision

International management literature has focused much attention to the question of how internationalizing firms make an entry into new markets, i.e. the entry mode decision.

One theoretical lens to look at foreign entry mode is transaction cost economics, which explains the decision as a consideration of the costs of internalizing transactions against the costs of routing them through the market (Hennart, 1991; Hennart and Park, 1993; Hennart and Reddy, 1997). Hence, if it costs less to use the market mechanism, firms would predominantly export. However if it more profitable to internalize the transactions along the value chain, firms would prefer modes such as direct investment.
Another theoretical lens looks at the foreign market-entry mode decision as being influenced by cultural and national factors. Researchers in this area suggested that firms would choose less risky entry modes in cases where the cultural distance between host and home countries was high (Gatignon and Anderson, 1988; Cho and Padmanabhan, 1995; Kogut and Singh, 1988).

A third approach, which drew insights from the behavioral theory of the firm (Cyert and March, 1963), was developed at the Uppasala University by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977, 1990). These authors proposed the stages model of internationalization, which suggests that firms undertake the internationalization effort in a stage-wise, planned manner. Internationalization is suggested to start with nearby and similar countries with a lower “psychic distance” to the home market, and then move towards other unfamiliar markets using the learning from this process. According to Johanson and Wiedersheim-Paul (1975), internationalization typically consists of four steps:

1. No regular export
2. Export via independent (representative) agent
3. Sales subsidiary abroad
4. Production abroad

A fourth approach is proposed by the innovation-related models (following Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981, summarized in Anderson, 1993) which also describe a step-by-step approach to internationalization and exports. In these models, the internationalization decision is considered to be an innovation for the firm. While there are differences between the models, the steps can be generally summarized as following the below-described sequence (Anderson, 1993):

1. In the beginning, the firm is not exporting but getting aware of the international possibilities
2. Next, the firm starts to gather information related to exporting and to entertain unsolicited orders
3. In this stage, the firm starts to export on an experiential basis to some psychologically close country
4. The firms becomes an active exporter and exports account for an increasing proportion of total sales
5. Finally, management starts looking at the option of exporting to more psychologically distant countries and makes choices in allocating limited resources between domestic and foreign markets

Summing up the discussion on internationalization mode choices, Lu and Beamish (2001) suggest that companies can use the following modes to expand internationally: exporting, foreign direct investment and alliances. The authors suggest that exporting has traditionally been regarded as the first step to
entering international markets, and serving as a platform for future international expansions (following Kogut and Chang, 1996). This strategy is particularly useful to small and medium enterprises, as they frequently lack the resources, financial and otherwise, for foreign direct investment (following Dalli, 1995; Zahra, Neubaum and Huse, 1997).

However, according to Lu and Beamish, while exporting is an internationalization mode which involves less risk in terms of capital investment, in cases where a firm’s assets are proprietary, such as brand equity, trademarks or patents, exporting can expose the firm to the risk of distributor opportunism or asset appropriation and devaluation. Foreign direct investment (FDI) is a more preferable option in such cases, as it allows the internalization of markets for proprietary asset exchange (following Henart 1982; Rugman, 1982). FDI also allows a firm to leverage location based advantages such as lower labor costs (following Kogut, 1985); to have access to critical resources (following Deeds and Hill, 1998); and to develop new knowledge and capabilities that enhance international competitiveness (following Shan and Song, 1997).

Lu and Beamish suggest that the FDI mode however brings with it the disadvantage that it calls for greater resource commitment and is a less flexible investment, once made. Since many small and medium companies might not have the resources to go in for FDI, alliances have been suggested as one important way to overcome resource and capability deficiencies and enhance the likelihood of success for internationalizing firms (Beamish, 1999; following, Jarillo, 1989; Zakarakis, 1997). According to Lu and Beamish, prior research suggests that benefits of alliances include minimization of transaction costs, higher market power, shared risks and better access to capital and information (following Gulati, Nohria and Zaheer, 2000; Kogut, 1988; Mowery, Oxley and Silverman, 1996). Meanwhile, for small and medium enterprises one of the most important benefits that alliances can bring is access to partners’ resources or “network resources” according to Lu and Beamish (following Gulati, 1998). Other benefits that alliance partners can bring, according to the authors, include helping small and medium enterprises overcome shortages of capital, equipment and other tangible assets and helping small and medium enterprises acquire host country knowledge and capabilities to operate successfully in the foreign environment. On the flip side however, alliances can bring about potential problems such as goal conflicts, lack of trust and understanding, cultural differences and disputes over control.

More recent research meanwhile suggests that in contrast to some of these earlier models, which suggested a step-by-step approach to internationalization, in the last years many firms are rapidly going international right from the time of founding using an eclectic combination of internationalization modes and governance structures (“born globals”, see Knight and Cavusgil, 2004). At the same time, many established firms are also rapidly transforming themselves from a domestic orientation to a strong international focus (“born again globals”, see Bell, McNoughton and Young,
This new accelerated orientation to internationalization has been suggested to be a response to the rapid globalization of the world economy.

Summing up the above, some of the potential market entry modes include exporting, alliances and foreign direct investment, or a combination of these. For purposes of research in the present study, alliances are further differentiated as licensing and international joint ventures. While the former is understood to involve allocation of rights to a rent-producing asset like a proprietary technology in return for a fee, an international joint venture is understood to cover a higher-commitment association between two distinct entities in a business venture. This addition of the licensing mode is made to examine whether firms from high-technology areas such as IT and pharmaceuticals are leveraging their intellectual assets via the licensing mode.

The basic entry-modes are presented in the figure below:

Figure 3: Internationalization entry modes

In order to examine the importance of these suggested entry modes in the Indian context and understand whether Indian firms are more drawn towards international markets with closer “psychic” distance to India, the following questions are proposed:

*Strategy Question 6*: What is the relative importance of international market entry modes such as exports, licensing, international joint ventures and foreign direct investment in the internationalization process of Indian firms?

*Strategy Question 7*: What is the relative importance of different geographical regions including Asia, N. America, S. America, Europe, Australia and Africa to the current international focus of Indian companies?
The analysis next proceeds to the final strategic issue to be examined – how much internationalization is really good for companies, and at what levels, if at all, do the disadvantages of internationalization start to outweigh the advantages.

3.4 Strategic issue 4 – The internationalization – performance relationship

The relationship between the level of internationalization and its attendant performance implications is one of the important research questions in the field of international management. From a positive viewpoint this literature offers insights into the advantages and attendant perils of increased internationalization, while from a normative point of view, research in this field can potentially provide a guideline for companies on how aggressively to proceed with their international plans.

The literature review in Section 3.1 suggests that while there are several advantages to going international, there are also attendant risks and potential negative fallouts of doing so. The crucial question in this regard is at what levels of internationalization, if any, do the downsides start to outweigh the benefits?

Building on this line of thought, the so-called “three stage” theory (Contractor, Kundu and Hsu, 2003 and Lu and Beamish, 2004) suggests that the effect of international expansion on performance is not linear. In stage 1, international diversification can cause a negative effect on performance as firms have to expend resources on learning, on overcoming the “liability of origin”, etc. In stage 2, further international expansion has a positive effect on performance with increasing economies of scale and scope. Finally, in stage 3, firms overextend themselves with even higher levels of internationalization, and this has a negative effect on performance due to costs associated with managing the increasing complexity. This leads to the suggested “S” curve of the internationalization-performance relationship, i.e. performance first going down, then up and again down as the level of internationalization increases.

However, not all researchers are unanimous in agreement on the three-stage theory. For instance Ruigrok and Wagner (2003) found a “U” shaped relationship between internationalization and performance in the German context, with higher internationalization first leading to a dip in performance and then again to a rise in performance as the level of internationalization rises further. In the Swiss context, Ruigrok et al (2007) found an “S” shaped relationship, with the S curve shifting to the right and being preceded by an initial stage of increasing performance. In a review of the literature, Contractor, Kumar and Kundu (2007) found that various scholars found different results on this issue over the years. These ranged from a positive relationship (Grant, 1987; Grant, Jammie and Thomas, 1998; Qian, 1988) a “U” shaped relationship (Capar and Kotabe, 2003), an “inverted U” shape (Hitt, Hoskisson and Kim, 1997; Sullivan, 1994), “S” shaped relationship (Contractor et al, 2003; Lu and
Beamish, 2004), and “inconclusive” results (Haar, 1989; Kim, Hwang and Burgers, 1989; Shaked, 1986).

Over time, the focus of research on the internationalization-performance issue also shifted to the non-USA context, with a view to examining whether the relationship changed with differing international contexts. This included the previously mentioned works of Ruigrok and Wagner (2003) and Ruigrok, Ammann and Wagner (2007). Recently, there have also been a few studies in the Indian context. For instance, Gaur and Kumar (2009) found a positive relationship between internationalization and performance in a sample of Indian firms. These researchers observed that firm performance increased even higher with increasing levels of internationalization. Kumar and Singh (2008) meanwhile found an “S” shaped relationship with the curve going down, up and again down. Finally, Contractor et al (2007) found a “U” shaped relationship.

The present study will empirically investigate this relationship in the Indian context in Section 8.13. The relevant hypothesis is also presented and tested in Section 8.13.

Having identified some key strategic issues facing internationalizing firms, the study now moves focus to the subject of organizational transformation and to the identification of newer and more efficient forms of organizing in the firm internationalization context.
4. Internationalization and organizational transformation

4.1 The “Process” school

One of the critiques of the early research in international management theory was that this literature typically did not venture to look “inside” the firm during the process of its internationalization, and rather preferred to treat it more as a “black box” to be analyzed vis-à-vis the external environment. This anomaly was addressed to by the so-called “Process” school led by Prahalad, Doz, Bartlett, Ghoshal and other authors starting in the early 80's.

The “Process” school identified integration of activities of different units of a multinational (Doz, 1986; Porter, 1986; Prahalad and Doz, 1987), differentiation and responsiveness to local needs (Bartlett, 1986; Doz, 1986) and worldwide learning (Bartlett and Ghoshal, 1992) as strategic imperatives facing multinational companies.

Integration in the MNC was suggested to be necessary because of increasing economies of scale; growing parity among countries in technology; improvements in transportation and communication; and increasing homogenization of markets, markets segments and tastes across countries, leading to globalization (Ghoshal and Westney, 1993; Levitt, 1983). On the other hand, differentiation needs were suggested to arise on account of localizing pressures like host country requirements for local investments; differing tastes; differing market structures (distribution channels, advertising channels, etc); risk-spreading across countries; etc (Ghoshal and Westney, 1993; Martinez and Jarillo, 1991). Worldwide learning was deemed important because in the new competitive landscape, advantage was suggested to lie with those companies that were most effective in the development, diffusion and implementation of innovative products and processes on a worldwide basis (Bartlett and Ghosal, 1992b). These challenges of global integration, national responsiveness and worldwide learning were suggested to be met by the use of coordination mechanisms (Ghoshal and Bartlett, 1990; Martinez and Jarillo, 1989, 1991).

It is these coordination mechanisms and other elements of organizational design relevant to the firm internationalization context that are the subject matter of the discussion in the following sub-sections. The aim will be to examine the drivers of organizational transformation, what makes for more efficient forms of organizing in the internationalization context, and whether one can develop a link between a move towards more efficient forms of organizing and organizational performance.

4.2 What drives organizational transformation?

According to Barnett and Caroll (1995), organizational transformation theories have routinely separated themselves into two distinct theoretical camps. The first camp comprises of those whose
efforts use an adaptational mechanism of organizational change and include contingency theory (Lawrence and Lorsch, 1967; Woodward, 1965); resource dependence theory (Burt, 1983; 1992; Pfeffer and Salancik, 1978); institutional theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977); and transaction cost economics (Williamson, 1975, 1985). The second camp centers on a selectional mechanism of organizational change and assumes that individual organizations cannot change easily and quickly, and when they do change, the change entails great risk. According to this theory, when technologies or environments change, some existing organizations fail, while new ones also come into existence. Theories falling into this camp include organizational ecology (Hannan and Freeman, 1977, 1989), and on some occasions, evolutionary theory (Nelson and Winter, 1982).

Hall (2002, pp. 187-190) suggests that contemporary research strongly supports the view that organizational change is produced by a combination of the following factors: ecological processes (particularly competition); governmental policies; and the institutional process of legitimization of new organizational forms (following Barnett and Carroll, 1995; Fliigstein and Freeland, 1995; Grant, 1995; Haunschild, 1993; Haveman and Rao, 1997; Kraatz and Zajak, 1996; Stearns and Allan, 1996; Sutton, Dobin, Meyer and Scott, 1994). These external drivers of change are brought into the organization and change takes place primarily at the initiative and decisions made at the management level (following Hage et al, 1993; Kelly and Amburgey, 1991; Mentzer and Near, 1992; Miller and Chen, 1994). Decisions made in this manner are not necessarily rational (Simon, 1957). Additionally, organizational change can be either purposeful or blind (McKelvey and Aldrich, 1983) – according to this perspective “purposeful variations occur as an intentional response, when environmental pressures cause selection or adaptations. Blind variations are those that occur independent of environmental or selection pressures; they are not the result of an intentional response to adaptation pressures but rather occur by accident or chance (p. 114). According to Hall (2002) organizational analysts are split on the extent to which variations are blind or purposeful, but evidence suggests at least a moderate degree of purposefulness.

Drawing on the above discussion, the present study seeks to understand whether the drive for organizational transformation in Indian companies originates at the initiative and decisions made at the management/strategic level as suggested by Hall (2002), or whether this transformation process has been more adaptive and initialized at decentralized levels in a sort of “learning by doing” response to local needs.

This decision duality is represented in the following diagram:
Strategy Question 8: Has organizational transformation in the context of internationalization of Indian companies been primarily planned and implemented by the headquarters, or has the change been initiated at decentralized levels based on local responses to internationalization needs?

After having examined the literature on drivers of organizational transformation, the analysis next moves to the literature on the resource-based view and organizational capabilities to examine whether organizational design and transformation can be a source of competitive advantage.

4.3 Organizational transformation as competitive advantage

The resource-based view of the firm (RBV) views firms as bundles of unique capabilities, which lead to competitive advantage. The study of firm heterogeneity as a source of competitive advantage goes back over several decades and has been led by authors including Penrose (1959), Teece (1980, 1982), Lippman and Rumelt (1982), and Nelson and Winter (1982). RBV however came to be seen as a separate organizational theory of the firm starting with an initially overlooked article by Birger Wernerfelt (1984), in which he suggested that “resources and products are two sides of the same coin” (1984, p. 1). Wernerfelt was followed by Barney (1986) who proposed the firms could earn above-average rents if they are able to acquire factor market resources at a price below the actual discounted value of this factor to the firm’s activities. Dierickx and Cool (1989), meanwhile suggested that critical resources are accumulated rather than acquired and that the sustainability of a firm’s asset position is dependent on how easily assets can be substituted or imitated. In the view of these authors, for an asset to be considered strategic, it must be nontradeable, nonimitable and nonsubstitutable. In 1991, Barney proposed that in order to bestow sustained competitive advantage, a firm’s resources need to be valuable, rare, imperfectly imitable and imperfectly substitutable, which became popular as the VRIO framework. Building on this existing work, Peteraf (1993) suggested that competitive advantage was built on four conditions, all of which need to be met: superior resources (heterogeneity within industry), ex post limits to competition, imperfect resource mobility, and ex ante limits to competition. Powell and Dent-Micalef (1997) suggested that in order for resources to create sustained competitive advantage they need to be protected by imitation barriers or “isolating mechanisms” (Rumelt, 1984).
These barriers include 1) time compression diseconomies – some resources require accumulation over time through learning, experience, firm-specific knowledge or training proficiency. 2) historical uniqueness – resources may be historically unique or were originally acquired under non-replicable circumstances such as distinctive location, material sources, through reputation, brand-loyalty or power to set industry standards. 3) embeddedness of resources – the value of resources may be inextricably linked to the presence of another complementary or co-specialized resource. 4) causal ambiguity – wherein the connection between a firm’s resources and its performance may be unclear, or where a firm’s success results from cultural or social phenomenon, which are too complex or difficult for managers to understand or manage (Barney, 1991; Dierickx and Cool, 1989; Lieberman and Montgomery, 1988).

A further development in the resource-based stream came with the idea of dynamic capabilities proposed by Teece et al (1997). The authors suggested that in a rapidly changing Schumpeterian world it was not enough to merely accumulate resources. Successful companies in this environment demonstrated timely responsiveness and rapid and flexible product innovation, together with the management capability to effectively coordinate and redeploy internal and external competencies. Teece et al define dynamic capabilities as “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments”. They suggest that dynamic capabilities reflect the firm’s capabilities to achieve new and innovative forms of competitive advantage, given path dependencies and market positions.

Eisenhardt and Martin (2001) addressed the issue of generalizing the findings of the RBV in the light of the theory’s insistence on firm heterogeneity. They argued that since dynamic capabilities have commonalities across firms in terms of key features, they violate the RBV assumption of persistent heterogeneity across firms. It follows that while firms with more effective dynamic capabilities like superior product innovation are likely to have a competitive advantage over firms with less developed capabilities, dynamic capabilities in themselves cannot be a source of sustained competitive advantage. Potential for long-term competitive advantage lies rather in “using dynamic capabilities sooner, more astutely, or more fortuitously than the competition to create that resource advantages that have the advantage” (p. 1117).

Organizational design appears to exhibit the various qualities attributed to resources and capabilities. Considered together with Eisenhardt and Martin’s (2000) suggestion that organizational capabilities although idiosyncratic in details and path dependent in emergence, have significant commonalities across firms (also called best-practices) and are more homogeneous, fungible, equifinal, and substitutable than previously thought, organizational design fulfills the condition of being valuable, rare, imperfectly imitable and imperfectly substitutable (Barney, 1991). It also fulfills the condition of being developed/accumulated over time (Dierickx and Cool, 1989) and of being required to be built, integrated, and reconfigured (Teece et al, 1997).
The RBV literature also suggests that organizational capabilities are an important determining factor in firm performance (Cool and Schendel, 1988; Rumelt, 1991). Wernerfelt and Hansen (1989) for instance found that administrative factors explain about twice as much of variance in profit rates as economic factors. Rumelt, Schendel and Teece (1991, p. 22) stress that organizational capabilities rather than product market positions or tactics are the enduring sources of competitive advantage.

Following the propositions of the resource-based view, the present study is interested in knowing whether organizational capabilities as represented by organizational design indeed play an important determining role in firm performance in the internationalization context in India. This issue forms an integral part of the study model discussed later in Section 5.

The analysis next moves deeper into identifying organizational design elements that have been described as important in the firm internationalization context.

**4.4 Internationalization and organizational success factors**

The process of internationalization appears to add to the challenges of creating efficient organizational design. According to Khandwalla (2002), greater competition, especially when competition is multidimensional, poses a major problem of coping with uncertainty (following Khandwalla, 1981), which in turn makes planning of operations difficult (Simon and March, 1958; Thompson, 1967) and organizations thus have to consider uncertainty reduction mechanisms. To reduce uncertainties, regional decentralization of operations might be necessary, complemented by specialized units to monitor the external environment. The organization has to also become increasingly capable at acquiring information, processing it, and generally has to be quick at learning and adapting (following, Burns and Stalker, 1961; Nilakant and Ramnarayan, 1998). Further, there is a need for differentiation within the decision structure of the organization (Lawrence and Lorsch, 1967), to cope with the numerous contingencies arising out of the competitive environment. In turn, differentiation needs to be offset by a greater use of integrative mechanisms (Lawrence and Lorsch, 1967), including core values (Peters and Waterman, 1982), professionalism and participatory, consensus-seeking decision making (Likert, 1961). Further, there is evidence that synchronized deployment of uncertainty reduction, differentiation and integration mechanisms, as a response to environmental uncertainty, is associated with organizational performance (Khandwalla, 1973; Lawrence and Lorsch, 1967; Miller and Friesen, 1984).

Further on this subject, Martinez and Jarillo (1989) carry out an extensive review of the literature on coordinating mechanisms in the firm internationalization literature. This review, which is presented below, offers a historical perspective on the research into the role of individual elements of organizational design in the internationalization process of the firm.
Martinez and Jarillo (1989) suggest that early studies on multinational coordination focused on firm structure and included works of Clee and di Scipio (1959), and Clee and Sachin (1964). These authors were the first to claim the need for a global structure – geographic, area or worldwide product, even as U.S. multinationals were trying to cope with an increasingly complex international environment by means of a simple international division. Subsequent research at Harvard University as part of the Harvard Multinational Enterprise Project sought to empirically support Chandler’s (1962) “structure-follows-strategy” paradigm in the international context. This work included studies by Fouraker and Stopford (1968), Stopford and Wells (1972) and Franko (1976). Stopford and Well’s framework related firm structure (international division, worldwide product and area divisions) with elements of firm strategy like foreign product diversity and percentage of foreign sales.

With time, according to Martinez and Jarillo (1989), research attention shifted from organizational structure to formal mechanisms of coordination. This included research on formalization, standardization, reporting and control (Alsege, 1971; Aylmer, 1970; Brandt and Hulbert, 1977; Brooke and Remmers, 1970; Deane, 1970; Donnelly and Ryans, 1969; Dunning, 1958; Garnier et al, 1979; Johnstone, 1965; Killough, 1978; Roccour, 1966; Safarian, 1966; Schollhammer, 1971; Sorensen and Wiechmann, 1975; Wiechmann, 1974). According to Martinez and Jarillo, these studies largely proved inconclusive as to efficacy of formal mechanisms of control vis-à-vis internationalization performance. Later large-scale comparative works on the use of formal mechanisms of coordination in U.S., Japanese and German multinationals (Negandhi and Baliga, 1981; Negandhi and Welge, 1984) concluded that U.S. firms exercised more influence on decision-making and relied more heavily on bureaucratic control than Japanese MNCs, while German MNCs were in between.

Martinez and Jarillo then suggest that the inconclusiveness of the findings on formal methods of coordination shifted attention to informal mechanisms of coordination. This research included the work of Chorafas (1967, 1969) who looked at communication problems within MNCs and training and development programs for international executives. Brooke and Remmers (1970) were the first to show a multidimensional perspective on coordination although they focused more attention on formal and structural measures. Studies of Japanese MNCs focused on informal mechanisms (Johnson and Ouchi, 1974; Ouchi and Johnson, 1978; Yoshino, 1976). Studies by Jaeger (1983) and Jaeger and Baliga (1985) showed that Japanese firms preferred cultural control to bureaucratic control and this cultural control was based on the use of expatriates, a high frequency of visits, a policy of transfer of managers, and a strong socialization process which allowed a more decentralized decision-making process (following Egelhoff, 1984). Edström and Galbraith (1977) found in their study of four European MNCs that international transfer through the employee’s career was a key administrative tool for socializing and served to foster the communication system of the MNC as it was based on verbal control. Doz and Prahalad (1984) meanwhile criticized the traditional approach to the problem of structuring headquarter-subsidiary relationship as too “architectural” in its search for the right
structure, i.e. product, geographic or matrix. These authors suggested the need for a managerial grid bringing together managerial tasks and coordinating mechanisms.

This progress in the research on coordination mechanisms is presented in the following diagram.

Figure 5: Research progress on coordination mechanisms for international operations:

![Diagram](image)

Source: Self

In a later article, Martinez and Jarillo (1991) describe the various formal and informal mechanisms of coordination, which are presented below:

Table 1: Formal and informal coordination mechanisms for international operations

<table>
<thead>
<tr>
<th>Formal coordination mechanisms</th>
<th>Informal coordination mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Centralization is the extent to which the locus of decision-making lies at higher levels in the chain of command (Child, 1972; Galbraith, 1973; Galbraith and Kazanjian, 1986; Lawrence and Lorsch, 1967; Pugh, Hickson, Hinings and Turner, 1968; Simon, 1976).</td>
<td></td>
</tr>
<tr>
<td>2) Formalization refers to the extent to which policies, rules, job descriptions, etc are written down in manuals and other documents leading to establishment of standard procedures (Child, 1972, 1973; Galbraith, 1973; Galbraith and Kazanjian, 1986; Lawrence and Lorsch, 1967; March and</td>
<td></td>
</tr>
<tr>
<td>1) Lateral relations cut across the vertical structure and include direct contact among managers from different departments who share a problem, temporary or permanent task forces, teams, committees, integrating roles, integrative departments, etc (Lawrence and Lorsch, 1967; Galbraith, 1973; Galbraith and Kazanjian, 1986).</td>
<td></td>
</tr>
</tbody>
</table>

3) Planning refers to systems and processes like strategic planning, budgeting, establishment of schedules (March and Simon, 1958; Thompson, 1968) and goal-setting (Galbraith, 1973; Galbraith and Kazanjian, 1986), which aim to guide and channel the activities and actions of independent units.

4) Output control refers to the evaluation of files, records and reports submitted by the organizational units to corporate management. It is similar to what Mintzberg (1979) calls “performance control”, and Blau and Scott (1962) call “impersonal control”.

5) Behavioral control is based on the direct, personal surveillance of the subordinate's behavior (Mintzberg, 1983).

| Source: Self |

The authors suggest that as the level of complexity rises, informal mechanisms are more effective than formal mechanisms.

After this overview of organizational coordination mechanisms, the analysis proceeds next to look at the literature on “ideal” MNC types, in order to identify organizational traits that are considered most effective in dealing with the challenges of operating in a multinational environment.

4.5 “Ideal” MNC Type


In a similar light, Ghoshal and Westney (1993, p. 3) suggest that given the needs for multinational coordination and the requirement to simultaneously meet the demands of integration and responsiveness, firms are increasingly moving towards a model which has alternatively been described as “transnational” (Bartlett, 1989; Bartlett and Ghoshal, 1989), “multifocus” (Prahalad and Doz, 1987) and “heterarchy” (Hedlund, 1986). Following is a summary of some of these perspectives on ideal-type MNCs:
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) <strong>Multiple centers</strong>: R&amp;D, manufacturing, finance and other processes are globally dispersed in locations, which offer the best advantage.</td>
<td>1) Increasingly complex and interdependent organizational design</td>
<td>1) <strong>Dispersion</strong>: MNCs have subunits in many countries and the capacity to innovate and to exploit innovations is dispersed</td>
<td></td>
</tr>
<tr>
<td>2) <strong>Complex and shifting roles of foreign units</strong>: a given unit may be a global center for manufacture of one product, a group R&amp;D center for a special application, and a sales agent for a third product and so on. These roles also shift with time.</td>
<td>2) Authority and decision-making aimed at a collaborative approach between headquarters and subsidiaries</td>
<td>2) <strong>Interdependence</strong>: subunits and headquarters are linked to each other through cross-flows of people, technology and products so that key activities are performed in the location with the locational or organizational advantage.</td>
<td></td>
</tr>
<tr>
<td>3) <strong>Lateral communications</strong>: fostered through increasing emphasis on functions as a central dimension; use of international project groups; development of an electronic library, etc.</td>
<td>3) Evaluation and control aimed at finding standards that are universal and local</td>
<td>3) <strong>Tight coupling of subunits</strong>: Each part of the MNC responds quickly to stimuli encountered in another part.</td>
<td></td>
</tr>
<tr>
<td>4) <strong>Indirect and normative integration</strong>: by encouraging the internalization of the views, values and strategies that give the organization its identity</td>
<td>4) International and local executives rewarded for reaching local and worldwide objectives</td>
<td>4) <strong>Cross-unit learning</strong>: Ability to transfer innovations originating in one part of the system to other subunits and to adapt and improve them (Bartlett and Ghoshal, 1989)</td>
<td></td>
</tr>
<tr>
<td>5) <strong>Structural flexibility</strong>: organizational process is more important than any particular organizational structure. Processes need to be adaptable. Also important are shared values and perspectives</td>
<td>5) Two-way information flow with heads of subsidiaries part of the management team</td>
<td>5) <strong>Dispersion</strong>: MNCs have subunits in many countries and the capacity to innovate and to exploit innovations is dispersed</td>
<td></td>
</tr>
</tbody>
</table>

Source: Self
The empirical analysis of this study will examine whether internationalizing firms from India possess the qualities of “ideal type” MNC organizations mentioned in the literature above, and whether some of these qualities have been adapted to the Indian institutional context. The next sub-section looks at the literature on “excellent” and “high performance” organizations. While not directly focused on the multinational context, organizational traits identified from this literature have the potential to add further insights into the subject of ideal organizational design, since most of the companies studied in this literature are large corporations with significant international operations.

4.6 “Excellent” and “High performance” organization types

Nadler and Gerstein (1992) make a useful review of the history and present status of the research on high performance organizations.

According to Nadler and Gerstein, some of the earliest contributors in the area of increasing organizational performance were F. W. Taylor, who developed the principles of scientific management, and Max Weber, who developed the concept of bureaucracy. These models became very popular, and while they led to increased productivity, it became clear over the years that their organizing principles came at a big cost especially in terms of poor worker satisfaction, lower motivation and creativity, difficulty in coordination across units. This led to, according to Nadler and Gerstein, starting in the 1940's to an increasing emphasis on human relations models that addressed the deficiencies of the earlier models and stressed techniques such as participative management, job enrichment and enlargement, etc. Research over the subsequent years led to the "sociotechnical systems" approach (Cherns, 1976), which emphasized the importance of fit between the technical and social systems of work. A further development was the "open systems" perspective, which stressed that work system design should start with external stakeholders like customers, suppliers and competitors. These works are presented in detail in Appendix 2.

Drawing insights from these works, Nadler and Gerstein (1992) define the high performance work systems approach as "an organizational architecture that brings together work, people, technology, and information in a manner that optimizes the congruence or ‘fit’ among them in order to produce high performance in terms of the effective response to customer requirements and other environmental demands and opportunities". (p. 118). Ten design principles are suggested:

1) Customer and environmentally friendly design; 2) Empowered and autonomous units designed around whole pieces of work - complete products, services or processes; 3) Clear directions and goals; 4) Control of variance at source; 5) Socio-technical integration; 6) Accessible information flow; 7) Enriched and shared jobs; 8) Empowering human resources practices; 9) Empowering management structure, process and culture; 10) Capacity to reconfigure. Such high-performance work systems have
been seen to produce the following results: reduced costs, increased quality, enhanced internal motivation, lower turnover and absenteeism, increased learning and increased capacity to adapt.

Some of the other more recent works on high performance and excellent organizations include Lawler (1993) – High involvement organizations; Collins and Porras (1994) – Excellent organizations; Gerstein and Shaw (1992) – Organizations of the future. These works are summarized in Appendix 3.

Much of this research on “excellent” and “high performance” organizations was based on the American and European institutional contexts. Pascale and Athos (1982) addressed this lacuna with a study on organizational success factors in Japan. Using the examples of Matsushita and ITT, the authors contrast differing managing styles and ways of organizing in Japan and the USA. Matsushita, a leading Japanese company, is described as a company driven more by the vision of the founder or the seven spiritual values namely: 1. National Service through Industry; 2. Fairness; 3. Harmony and Cooperation; 4. Struggle for Betterment; 5. Courtesy and Humility; 6. Adjustment and Assimilation; 7. Gratitude. Pascale and Athos’ work is instructive in illustrating that “ideal types” can differ from country to country and culture to culture. For instance, humility is considered a positive trait in many eastern countries, but might be understood as a sign of weakness in some western countries. Organizations thus have to be careful in adapting prescriptions for effective organizational design to the local context.

More recent literature on “excellent” organizational design includes calls for the “F-form”, which “allows employees complete freedom and responsibility to take actions they decide are best” (Getz, 2009, p. 35); the “I-form”, which is based on community based organizational designs and facilitative management approaches (Miles, Miles, Snow, Blomqvist and Rocha, 2009); as well as studies recommending the removal of matrix structures and “unproductive complexity” and a move towards an enabling work environment using market mechanisms and distributed collaboration (Bryan and Joyce, 2007).

The empirical analysis towards the end of this study will examine the extent to which internationalizing firms from India possess the qualities of “high performance” and “excellent type” organizations mentioned above, and also whether some of these qualities have been adapted to the Indian institutional context. The analysis next proceeds to the behavioral sciences perspective on “learning organizations”. This approach studies human behavior and tries to identify ways in which individual behavior can turn constructive and effective in organizations and lead to increased organizational performance.

4.7 “Learning” organizations

The behavioral approach to organizational analysis studies human behavior and seeks to identify ways to channelize it for greater personal and organizational effectiveness. One of the most-recognized
scholars in this field, Chris Argyris (Argyris, 1999; Argyris and Schon; 1978) proposed that individuals have two types of theories of action. One is the theory they espouse, which is usually expressed in terms of their stated values and beliefs. The other one is the theory that they actually use. Research shows that most individuals hold the same theories-in-use, referred to as Model I by the author. Model I however discourages learning, leads to misunderstanding and to self-fulfilling and self-sealing processes. In order to overcome this, Argyris suggests Model II behavior. These models are presented in the following table:

Table 3: Argyris – Model I and Model II behavior

<table>
<thead>
<tr>
<th>Governing values</th>
<th>Model I (commonly found in most organizations)</th>
<th>Model II (suggested for overcoming the disadvantages of Model I)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Achieve your intended purpose</td>
<td>1) valid information,</td>
<td></td>
</tr>
<tr>
<td>2) Maximize winning and minimize losing</td>
<td>2) informed choice, and</td>
<td></td>
</tr>
<tr>
<td>3) Suppress negative feelings</td>
<td>3) vigilant monitoring of the implementation of the choice so that errors can be detected and corrected</td>
<td></td>
</tr>
<tr>
<td>4) Behave according to what you think is rational</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Action strategies</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Advocate your position</td>
<td>1) Open illustration of how the individual reached their evaluations or attributions and how they crafted them, to encourage inquiry and testing by others.</td>
</tr>
<tr>
<td>2) Evaluate the thoughts and actions of others (and your own thoughts and actions)</td>
<td>2) Requires productive reasoning, which means that premises are explicit, and the inferences from the premises are also made explicit, and conclusions are crafted in a way that can be tested by a logic that is independent of the actor</td>
</tr>
<tr>
<td>3) Attribute causes to whatever you are trying to understand</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Defensiveness</td>
<td>1) Getting out of the defensive trap</td>
</tr>
<tr>
<td>2) Misunderstanding and self-fulfilling and self-sealing processes</td>
<td>2) Open and learning view</td>
</tr>
</tbody>
</table>

Source: Self
Argyris’ path-breaking work was one of the inspirations for the best-selling work of Peter Senge and co-authors (Senge, 1990; Senge, Kleiner, Roberts, Ross and Smith, 1994), who point to five disciplines that are key to creating learning and effective organizations in their best-selling work “The Fifth Discipline”. These are:

1) **Systems thinking** which encourages learning to look at the whole rather than only at the parts.

2) **Personal mastery** which means the capacity not only to produce results, but also to “master” the principles underlying the way in which you produce the results (p. 194).

3) **Mental models** refer to both the semi permanent tacit “maps” of the world that people hold in their long-term memory, and to the short-term perceptions that people build up as a part of their everyday reasoning process. Two types of skills help optimize the use of mental models – these are reflection (slowing down the thinking processes to become more aware of how mental models are formed) and inquiry (holding conversations where views are openly shared and knowledge developed about each other’s assumptions).

4. **Shared vision** is a vehicle for building shared meaning or a collective sense of what is important and why.

5) The final skill is **team learning, which** starts with self-mastery and self-knowledge and then looks outwards to develop knowledge of and alignment with others on the team. It involves listening deeply to the viewpoints of other people, looking beyond words to the assumptions of the participants in the discussion including those of the observer, being welcoming of divergent opinion and laying disagreements open to further scrutiny.

The literature on “learning” organizations mentioned above is a very interesting departure from the other literature on “excellent” organizations reviewed earlier, in that the former takes a look into the realm of human thinking and behavior to identify ways in which this could be optimized for organizational (and personal) success. Following this review, the present study also seeks to enquire, whether internationalizing firms from India possess the qualities of “learning” organizations mentioned in the literature above.

Finally, after having extensively analyzed the literature on different perspectives to effective organizing, the present study finally moves to a critical question: How much practical applicability and empirical verifiability do these “ideal” approaches and models on organizational transformation and effectiveness actually have, or do they exist only in the realm of speculation?
4.8 Proof of the pudding: How much organizational transformation has actually taken place?

Several scholars have questioned the actual extent of the move towards “ideal” and “high performance” organizational types (Pettigrew and Fenton, 2001) such as those elaborated in the previous sub-sections, and wondered whether these moves, if any, are idiosyncratic in different institutional contexts (Ruigrok et al, 1999).

Pettigrew and Fenton (2000) suggest that much of the literature on emerging organizational forms since the 90’s, e.g. the network form (Ghoshal and Nohria, 1989), the “N-form” (Hedlund, 1994), the cellular form (Miles, Snow, Mathews, Miles and Coleman, 1997), the individualized corporation (Ghoshal and Bartlett, 1998), the boundaryless organization (Ashkenas, Ulrich, Jick and Kerr, 1995), has been prescriptive in nature. The actual evidence of organizational change in the face of new competition has however been a "bewildering cocktail of responses". Ghoshal and Westney (1993) suggest that the actual extent to which MNCs are moving towards the "ideal type" is being debated in the field of international management. A similar sentiment is echoed by Ruigrok et al (1999, p. 42), who suggest that “beyond certain well-known examples (e.g. the case of ABB in Bartlett/Ghoshal, 1993), the incidence and international diffusion of these new organizational forms or new modes of organizing have yet to be established”.

One project that sought to investigate the claims of organizational transformation was the ‘The Innovative Forms of Organizing (INNFORM)’ program (see Pettigrew and Fenton, 2000; Pettigrew et al, 2003). Following a multidisciplinary, multimethods, multiresearch-site and large-sample study of firms by a network of researchers from Europe, Japan and the US, there emerged evidence of an overall movement in organizations towards new organizational practices in the European context (Pettigrew, 1999; Ruigrok et al, 1999, summarized by Pettigrew and Fenton, 2001). This included evidence of delayering, decentralization, investments in IT infrastructure, increased use of horizontal linkages, and greater use of new human resource practices such as team building, internal labor markets and corporate mission building.

The present study takes on the challenge of examining the extent of organizational transformation and the moves towards newer and more efficient forms of organizing in internationalizing companies in India and hence in the emerging economy context. Hence, the first hypothesis of this study is-

*Hypothesis 1: Internationalizing Indian companies have moved towards newer forms of organizing over the last 5 years.*

Further, the study is also interested in the answer to the following question in line with the process aim of this thesis-
Process Question 1: What are some of the instances where Indian companies have shown characteristics of “ideal MNC” types and “high performance” and “learning” organizations and have generally moved towards newer forms of organizing?

The term “newer” forms of organizing is understood to include organizational forms proposed in the literature as being efficient and useful in facilitating internationalization success.

4.9 Performance implications of organizational transformation

One key aim of this thesis is to examine, in the firm internationalization context, the performance implications of organizational transformation towards newer forms or organizing. The literature review of this Section 4 makes a case for expecting such performance implications. For instance, the Process school makes several normative recommendations on the usefulness of certain forms of organizing in the firm internationalization context. The resource based view and the literature on organizational capabilities suggest that organizational design can be a source of competitive advantage with performance implications. The subsequent discussion on organizational success factors, “ideal type MNCs”, “excellent” organization types and “learning” organizations, all point to certain organizational qualities that can be effective in achieving higher firm performance in the firm internationalization context.

The present study will thus examine the implications of transformation in a number of organizational variables (to be conceptualized in the following Section 5) on firm performance in general and firm internationalization performance in particular. In doing so, the methodological route would be to identify the combined and complementary effect of changes in a number of key variables on performance.

This method has previously been used in the INNFORM project (Pettigrew and Massini, 2003), where the researchers found evidence suggesting the positive effect of “complementarities” (see Milgrom and Roberts, 1990, 1995) in the effect of organizational transformation on performance. Specifically, they found that simultaneous organizational transformation in several variables has performance outcomes that outweigh piecemeal changes in fewer or single organizational variables. Pettigrew and Massini (2003, pp. 17-18) describe the notion of complementarities as follows: “Overall, complementarity theory proposes both that high-performing firms are likely to be combining a number of practices at the same time and that the payoffs, to a full system of practices, are greater than the sum of its parts, some of which taken on their own might even have negative effects.

Hence, to examine the performance implication of organizational transformation the following hypothesis is advanced-
Hypothesis 2: Organizational transformation towards more “efficient” forms of organizing has performance implications for internationalizing Indian companies.

With this background, the study is now ready to advance its preliminary model.

4.10 Preliminary model of study

The preliminary model of this study (Figure 6 below) presents the issues this study seeks to examine. These issues are presented in two parts:

PART 1 represents the proposition that the institutional change in the Indian economy brought about by opening up to world markets has been associated with an increased international presence of Indian companies.

PART 2 presents, on the left side, the various strategic issues that these internationalizing Indian firms are expected to face. The right side of PART 2 represents the proposition that these internationalizing Indian firms are expected to have undergone organizational transformation over the last 5 years, which in turn might have had performance implications for the firms. The model is still preliminary as the organizational variables involved in the transformation (right side of PART 2) still need to be conceptualized – an exercise that will be undertaken in the next section.
Opening up of the Indian economy to international markets

Indian firms increase their international presence over 5-year period

(PART 1) INSTITUTIONAL CONTEXT

Str. Q. 3: Made in India – Asset or Liability?

Str. Q. 4: What are aspr. int. levels?

Str. Q. 1: How important are int. markets?

Str. Q. 2: Which int. drivers are more important?

Str. Q. 5: How are int. operations currently organized?

Str. Q. 6: Which int. modes are more important?

Str. Q. 7: Which geographical markets are important?

Str. Q. 8: Has transformation been driven centrally?

Extent and performance implications of organizational transformation

Leading to performance implication

(PART 2) ORGANIZATIONAL CONTEXT

Indian firms increase their international presence over 5-year period

Firms move to more efficient organizational forms (to be conceptualized in the next section)
5. Conceptualization of internationalization-related organizational variables

Based on a review of the literature and an analysis of the previous sections, the key composite organizational variables that will be examined in this study are organizational structure, processes, people, leadership and culture. Academic researchers that have pointed to the importance of some or all of these variables in the firm internationalization context include Argyris, 1999; Collins and Porras, 1994; Gerstein and Shaw, 1992; Ghoshal and Westney, 1993; Hedlund and Kogut, 1993; Khandwalla, 2002; Lawler, 1993; Malnight, 2001; Nadler and Gerstein, 1992; Perlmutter, 1969; Peter Senge and co-authors, 1994; and others. These variables have also found mention in the works of Bartlett and Ghoshal, 1989; Doz, 1980; Doz and Prahalad, 1984; Gibson, Ivancevich, and Donnelly, 1979; Prahalad and Doz, 1981a; Ghoshal and Westney, 1993, Hedlund, 1986, 1993, 1994; Lado and Wilson 1994; Martinez and Jarillo, 1989, 1991; Prahalad, 1990; Porter, 1991; Rouse and Daellenbach, 1999; Stalk, Evans and Schulman, 1992; Zahra and Nielsen, 2002.

This study will now proceed to examine each of these composite variables in detail to disaggregate and conceptualize their measureable sub-components. This will help in fitting the last piece of the model described in the previous section.

5.1 Structure

Thompson (1967) defines organizational structure as “an organization’s internal pattern of relationships, authority, and communication”. Galbraith (2002) on the other hand describes structure as determining “the placement of power and authority in the organization”. Structure has been compared to the “anatomy” of the organization by Bartlett and Ghoshal (1989) in their seminal research on transnational organizations. Structure thus represents the more fixed aspects or “framework” of organizational design.

In the literature on organizational structure, characteristics such as centralization, formalization, flexibility, and the emergence of cross-unit and cross-functional teams have been identified as important foci of research in the firm internationalization context (Martinez and Jarillo, 1989 and Malnight, 2001). For instance, Fredrickson (1986) suggests that three aspects of organizational structure have received more attention than others in the literature. These are centralization, formalization and complexity (following Child, 1974; Ford and Slocum, 1977; Fry, 1982; Hage and Aiken, 1967; Hall, 1977; Van de Ven, 1976). In a similar light, Ghoshal and Nohria (1989) suggest that in the context of firm internationalization, centralization, formalization and normative integration, analyzed singly and together, constitute a fairly comprehensive characterization of the structure of headquarter-subsidiary relationship.
In the Indian context, Ghoshal et al. (2000) suggest that innovative organizations have been delayering and downsizing over the last few years and even moving beyond an emphasis on structure to a focus on organizational processes. Ahmed and Chopra (2004) suggest that successful companies in India that they studied all preferred a somewhat lateral organizational structure with few intermediate ladders. These companies had become flexible over time and more open and adaptive in their approach. Such companies were also characterized by the presence of cross-unit and cross-functional task forces, swift communication and information flow, responsive decision-making and quick problem-solving (pp. 186-187).

Based on this discussion, the present study now proceeds to examine in detail individual elements of organizational structure including centralization, formalization, flexibility and the emergence of cross-unit and cross-functional teams to examine their relevance in the firm internationalization context. Based on this analysis, study questions will be developed in order to empirically examine organizational transformation and the role these organizational elements play in the internationalization process of Indian firms.

5.1.1 Centralization

Hall (2002, p. 65) conceptualizes centralization as the distribution of power in an organization. Van de Ven and Ferry (1980, p. 399) meanwhile define centralization as “the locus of decision making authority within an organization. When most decisions are made hierarchically, an organizational unit is considered to be centralized; a decentralized unit generally implies that the major source of decision making has been delegated by line managers to subordinate personnel”. Other authors have defined centralization as “the degree to which the right to make decisions and evaluate activities is concentrated” (Fredrickson, 1986, p. 282, following Hall, 1977; Fry and Slocum, 1984) and “the lack of subsidiary autonomy in decision-making” (Ghoshal and Nohria, 1989, p. 323).

While a certain amount of centralization is suggested to be desirable to avoid duplication of activities, to benefit from economies of scale and to maintain organizational control, excessive centralization can be counter-productive in an economic environment where speed of response and the ability to respond to local needs is important (Covin and Slevin, 1989). Fredrickson (1986) suggests that while high levels of centralization help coordinate decision-making, it also places significant cognitive demands on managers along with the authority. High levels of centralization are considered undesirable as an organization’s size increases (Pugh et al, 1968), because problems and opportunities are likely to go unrecognized and ignored, until they come before a member of the small “coalition” where authority is concentrated. High centralization causes information overload at the top, hinders an organization’s ability to respond to local conditions, and results in de-motivation at lower levels of the hierarchy (Baliga and Jaeger, 1984). Centralization is also seen to dissuade organizational entrepreneurship (Birkinshaw, 1997; Covin and Slevin, 1991; Ghoshal and Bartlett, 1994; Ireland, Hitt, Camp and
Sexton, 2001; Kanter, 1985; Oviatt and McDougall, 1994; Stopford and Baden-Fuller, 1994). Finally, centralization is suggested to be inversely related to situations of high interdependency since it causes decisions to reflect the competencies and perspectives of headquarters and constrains reciprocity of in exchange relations (Ghoshal and Nohria, 1989).

Flatter hierarchies meanwhile have been suggested to be an important part of organizational design in the literature on “high performance” organizations, such as by Nadler and Gerstein (1992), Lawler (1993) and Gerstein and Shaw (1992). Additionally, Hall (2002, following Negandhi and Reimann, 1972 and Pfeffer and Lelblecici, 1973) suggests that in an expanding economy in which competing organizations are all gaining, decentralization may be a preferable organizational characteristic. This opinion is echoed by Khandwalla (2002), who suggests that greater competition, especially when it is multidimensional poses a major problem of coping with uncertainty (Khandwalla, 1981) and makes planning of operations difficult (Simon and March, 1958, Thompson, 1967).

In response, organizations have to consider uncertainty reduction mechanisms – an area where regional decentralization of operations might be necessary.

Ways suggested in the literature to move beyond excessive centralization are presented in the table below:

Table 4: Ways to move beyond excessive centralization

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) People moving from corporate headquarters to business units;</td>
<td>1) Information moving from closely held or integrated at the top to information sharing throughout the organization</td>
<td>1) Departmental/divisional goals and strategies evolved by departmental committees (decentralization of departmental goals and strategies)</td>
</tr>
<tr>
<td>2) Businesses moving from single profit centers to multiple profit-measureable units;</td>
<td>2) Competence moving from leadership skills exercised at the senior levels and technical skills exercised at lower levels to competencies</td>
<td>2) Conflicts resolved as low down the hierarchy as possible, and without intervention by top bosses (decentralized conflict resolution)</td>
</tr>
<tr>
<td>3) Within business units, people moving to teams with direct</td>
<td></td>
<td>3) Use of inter-functional tasks forces for designing innovations/changes (decentralized designing of innovations/changes)</td>
</tr>
</tbody>
</table>
More recently, Bryan and Joyce (2007) have called for the removal of matrix structures and “unproductive complexity” and a move towards an enabling work environment using market mechanisms and distributed collaboration.

In the early years of the transformation of the Indian economy, Indian companies were reported to have high levels of centralization and command and control styles of management, with power and decision-making authority concentrated with top management or with members of the “family” that controlled the business (Ghoshal et al, 2000; Ahmad and Chopra, 2004). Given this suggested high level of centralization in Indian companies, and the suggested negative effects of high centralization in the internationalization context, one can expect that internationalizing Indian companies would have moved towards greater decision-making decentralization over the last few years, especially in areas where it is important to be close to the customer such as marketing, communications and choice of product mix for international operations.

Hence, the following are proposed:

For the progress aim of the thesis-
Transformation Question 1: Have internationalizing Indian companies increased decision-making decentralization to international subsidiaries/operations on issues of marketing, communications, and product mix for international markets over the last 5 years?

For the strategic analysis aim of the thesis-

Strategy Question 9: Is an appropriate balance between centralized and decentralized decision-making, depending on whether situation requires headquarters or local inputs, a success factor in firm internationalization in India?

And, for the process aim of the thesis-

Process Question 2: What are some of the ways internationalizing companies from India are moving towards an appropriate balance between decision-making centralization and decentralization?

5.1.2 Formalization and professionalization


Formalization is described to have both positive and negative effects on organizational performance. On account of its stress on documentation and conformity to best practices and operating procedures, formalization can help ensure more consistent and higher quality output, especially in standard situations. For instance, Fredrickson (1986, p. 283) argues that high levels of formalization help eliminate role ambiguity, but cautions that at the same time they also limit decision-making authority. The increasing use of tools such as best practices and benchmarking in Indian firms (Khandwalla, 2002) is perhaps an indicator if their usefulness.

High formalization can however be counter-productive in non-standard situations, which require individual judgment. Hanna (1988) and Cherns (1976) in their analysis of sociotechnical systems suggest that although rules and work processes critical to overall success should be identified, no more rules should be specified than absolutely necessary. High levels of formalization have been associated with bureaucratic behavior (Weber, 1968 and Ghoshal et al, 2000), wherein prescribed behaviors become ends in themselves and means become more important than ends (Fredrickson, 1986). As Hall (2002) writes: “this extremely high degree of formalization, plus several other characteristics of the
organizations, create a ‘vicious circle’ in which the workers follow the rules for the sake of the rules themselves, since this is the basis on which they are evaluated. The rules become more important than the goals they were designed to accomplish. The organization becomes very rigid and has difficulties dealing with customers and other aspects of the environment” (pp. 68-69).

In order to counter these dysfunctional effects of high formalization, Fredrickson (1986) following Perrow (1972) suggests that the level of formalization has to be matched with the level of professionalism. Similarly, Hall (1972, following Hall, 1968; Kornhauser, 1963) suggests that the presence of professionals appears to cause a diminished need for formalized rules and procedures. Professionals have internalized norms and standards and hence imposition of organizational requirements is not only unnecessary but is also likely to lead to professional-organizational conflict. In the Indian context, professional managers appear to be an increasingly sought-after commodity, with graduates from business schools such as the Indian Institutes of Management (Economic Times, 2008) being wooed by ever-increasing number of companies offering ever-higher pay packages, and alumni from “professionally managed” companies being an in-demand commodity within corporate India (The Telegraph, 2004).

Given that one positive outcome of well-documented best practices and operating procedures is the ability to produce more consistent and higher quality output, Indian firms can be expected to have focused on employees mastering best practices and operating procedures, especially in standard situations. At the same time, in order to counter the dysfunctionalities of formalization (following Perrow, 1972), promote innovation and flexibility (Shrader, Oviatt and McDougall, 2000), and empower employees to find timely and adequate solutions in non-standard situations, Indian firms can also be expected to have laid greater stress on fostering professionalization amongst employees.

Hence, the following are proposed:

For the progress aim of the thesis-

*Transformation Question 2: Have internationalizing Indian companies seen increased ability of their employees in mastering well-documented best-practices and operating procedures to ensure consistent, high-quality output over the last 5 years?*

*Transformation Question 3: Have internationalizing Indian companies seen increased ability of their employees to rely on professional judgments in finding timely and adequate solutions to non-standard problems over the last 5 years?*

For the strategic analysis aim of the thesis-
Strategy Question 10: Is employee mastery of best-practices in standard situations and simultaneous ability to rely on professional autonomy in non-standard situations a success factor in firm internationalization in India?

And, for the process aim of the thesis-

Process Question 3: What are some of the ways in which internationalizing Indian companies have worked on increasing their mastery of best-practices in standard situations and simultaneous ability to rely on professional autonomy in non-standard situations?

5.1.3 Cross-functional/divisional/geographical teams and collaboration

Horizontal or lateral relations are suggested to be an effective structural coordination tool as organizations become more complex. Martinez and Jarillo (1991) propose that lateral relations cut across the vertical structure and include direct contact among managers from different departments who share a problem; temporary or permanent task forces; teams and committees; integrating roles; integrative departments; etc (following Galbraith, 1973; Galbraith and Kazanjian, 1986; Lawrence and Lorsch, 1967). Lateral relations are considered to be useful in dealing with the increased complexity arising out of internationalization, where formal structure can be overwhelmed in dealing with the demands for knowledge and information (Bartlett and Ghoshal, 1989; Bartlett and Ghoshal, 1992; Ghoshal and Bartlett, 1990; Ghoshal and Nohria, 1989; Hedlund, 1980).

In their speculative model of the heterarchical MNC, Hedlund and Kogut (1993) suggest that one of the characteristics of such an organization is the presence of lateral communication. Lateral communication is strengthened through several mechanisms including increased emphasis on functions as central dimensions, international project groups as a basic building block, development of an electronic library which is repository of the company’s knowledge base, and indirect and normative integration through the internalization of the views, values and strategies giving the organization an identity, according to Hedlund and Kogut.

Galbraith, Lawler and Associates (1993) meanwhile propose that given the demands of increased competitive pressures, organizations need to move towards fluid and transitory organizational design, which requires a movement away from thinking in terms of charts, boxes and hierarchical reporting relationships to relatively subtle and informal relationships within or between teams. Thus the “informal organization” needs to become dominant. Galbraith (2002) mentions five types of lateral processes including informal or voluntary lateral processes, e-coordination, formal group, integrator and matrix organization. Mohrman (1993) suggests that integrative forces include standard procedures, goals, measures and plans; informal roles including linking roles and mirror image organizations; informal processes including co-location, networks and rotation; and formal roles and structures including teams and integrator management roles. In a recent article, Miles et al (2009) have
called for the “I-form” organization, which is based on community-based organizational designs and facilitative management approaches.

In the Indian context, the emergence of such flexibility-promoting structural elements could be expected, especially as organizations become international beyond a point where rigid structural characteristics are no longer able to deal with the operational complexity. One well-publicized adapter of the cross-functional team concept is Indian automobile major Tata Motors, which used this concept with great success in the design of their innovative vehicles the Tata Ace and the world’s lowest cost car, the Nano (BBC News, 2008; Businessworld b, Tata Sons Website, 2008). Based on the above discussion, the following are proposed:

For the progress aim of the thesis-

*Transformation Question 4: Have internationalizing Indian companies increased the use of cross-functional/divisional/geographical teams and collaboration to promote internationalization efforts over the last 5 years?*

For the strategic analysis aim of the thesis-

*Strategy Question 11: Is the increased use of integrated structures and lateral relations such as cross-division teams, communication and collaboration a success factor in firm internationalization in India?*

And, for the process aim of the thesis-

*Process Question 4: What are some of the ways in which internationalizing Indian companies have increased the use of integrated structures and lateral relations such as cross-division teams, communication and collaboration?*

### 5.1.4 Graphical representation of elements of organizational structure

The following figure summarizes the elements of organizational structure, which will be evaluated in the empirical part of this study.
5.2 Processes

Ghoshal et al (2000) suggest that innovative Indian companies are increasingly moving towards a process-focus, and highlight the importance of operational, strategic, entrepreneurial, integration and renewal processes in successful Indian companies.

Organizational processes have been defined by Lawler (1996, p. 49) as “the systems that the organization puts in place to help control, manage, inform, and direct its members’ behavior, both individually and collectively, so that they focus on the correct strategic actions”. Davenport (1993) meanwhile defines a business process as "Simply a structured, measured set of activities designed to produce a specified output for a particular customer or market. It implies a strong emphasis upon how work is done within and enterprise, in contrast to a product focus's emphasis on what. A process is thus a specific ordering of work activities across time and place, with a beginning, end, and clearly identified inputs and outputs: a structure for action". Finally, Smith and Fingar (2003, p. 47) describe business processes as "A business process is the complete and dynamically coordinated set of collaborative and transactional activities that deliver value to customers".

In their literature review of organizational coordination mechanisms, Martinez and Jarillo (1989) suggest that the inconclusive nature of results on the effect of organizational structure on internationalization performance led scholars to focus on formal and informal processes in the MNC context. The authors suggest that organizations rely increasingly on formal and informal coordination processes as environmental complexity increase. In a similar vein, Doz and Prahalad (1981, 1984) criticize the traditional approach to the problem of structuring headquarter-subsidiary relationship as
too “architectural” in its search for the right structure, i.e. product, geographic or matrix. Arguing that it is more important to find the right balance in this relationship, they call for three interrelated process tasks: 1. ensuring that relevant data are brought to bear on key decisions, 2. creating conditions for consensus amongst managers on key strategic decisions, and 3. managing relative power amongst managers. Processes are likened to the physiology of the transnational organization (Bartlett and Ghoshal, 1989). Bartlett (1986) also suggests that organizational process is more important than any particular organizational structure in the context of the global MNC. While structure represents the relatively static part of an organization, processes represent the fluid organizational elements, which can be more easily manipulated to respond to the demands of internationalization.

Bartlett and Ghoshal (1992, Ch. 8) argue that in order to effectively tackle the demands of internationalization, companies need to develop the use of three types of processes: entrepreneurial processes, integrative processes and renewal processes. Entrepreneurial processes drive the externally oriented opportunity-seeking behavior of companies; integration processes link and leverage the diverse competencies and resources lodged in different business units; and renewal processes constantly challenge existing ways to prevent past success formulae from becoming too entrenched and thus leading to future disaster (Ghoshal et al, 2000). Ghoshal et al (2000) further suggest that successful Indian companies have developed these three core processes in addition to mastering their operational and strategic processes. This above-mentioned process-typology suggested by Bartlett and Ghoshal (1992) and Ghoshal et al (2000) is adapted to examine organizational processes in the context of firm internationalization in the present study.

5.2.1 Operational excellence

Research suggests that optimizing operational processes is especially important in the context of internationalization of firms from emerging economies. Gurhan-Kanli and Maheswaran (2000, following Hong and Wyer, 1990 and Maheswaran, 1994) suggest that favorable country evaluations lead to favorable inferences about product attributes and to subsequent favorable evaluations. Products and services from emerging economies are prone to suffer from a "liability of origin" (Zaheer, 1995), as they are often perceived to be of poorer quality than comparable products and services from developed countries. In the Indian context, Bartlett and Ghoshal (2000) call this bias the "liability of Indianness". EMNCs need to address this issue if they seek international acceptability and competitiveness, and they can do so by bringing their operational processes to international standards.

There is some evidence to suggest that Indian companies are moving towards optimization of their operational processes. Ghoshal et al (2000) found that successful Indian companies have improved their operational processes like payables management, manufacturing management, etc by redesigning the workflow, often with the help of IT-mediated methods. Ahmad and Chopra (2004) meanwhile found that innovative Indian companies used tools such as benchmarking, new technologies and
process institutionalization to optimize operational efficiency. Along the same lines, BusinessWeek (2005a) reports that IT firm Wipro is learning quality processes like continuous improvement, respect for employees, learning, and embracing change from global leaders like Toyota. The article quotes Jeffrey Liker, University of Michigan Professor and author of *The Toyota Way* as saying: "If the Indians get this right, in addition to their low labor rates, they can become deadly competition". The Economic Times (2006) meanwhile reports that Six Sigma is emerging as one of the latest management fads with IT and BPO operations in India.

Some important initiatives in optimizing operational processes include business process reengineering (BPR) (see Hammer and Champy, 1993), Six Sigma (see Pande, Neuman and Cavanagh, 2000), etc.

Key characteristics of BPR are presented in the table below (following Hammer and Champy, 1993):

Table 5: Key characteristics of Business Process Reengineering

<table>
<thead>
<tr>
<th>Commonalities of reengineered business processes:</th>
<th>Types of changes when a company reengineers its business processes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Several jobs are combined in one</td>
<td>1. Work units change from functional departments to process teams</td>
</tr>
<tr>
<td>2. Workers make decisions</td>
<td>2. Jobs change from simple tasks to multi-dimensional work</td>
</tr>
<tr>
<td>3. The steps in the process are performed in a natural order</td>
<td>3. People's roles change from controlled to empowered</td>
</tr>
<tr>
<td>4. Processes have multiple versions</td>
<td>4. Job preparation changes from training to education</td>
</tr>
<tr>
<td>6. Work is performed where it makes the most sense</td>
<td>5. Focus of performance measures and compensation shifts from activity to results</td>
</tr>
<tr>
<td>7. Checks and controls are reduced</td>
<td>6. Advancement criteria change from performance to ability</td>
</tr>
<tr>
<td>8. Reconciliation is minimized</td>
<td>7. Values change from protective to productive</td>
</tr>
<tr>
<td>9. A case manager provides a single point of contact</td>
<td>8. Organizational structures change from hierarchical to flat</td>
</tr>
<tr>
<td>10. Hybrid centralized/decentralized operations are prevalent</td>
<td>9. Executives change from scorekeepers to leaders</td>
</tr>
</tbody>
</table>
Key themes of Six Sigma are meanwhile summarized in the table below (following Pande et al, 2000):

Table 6: Key themes of Six Sigma

<table>
<thead>
<tr>
<th>Six themes of Six Sigma:</th>
<th>Six Sigma roadmap (p.67):</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Genuine focus on the customer</td>
<td>1. Identify core processes and customers</td>
</tr>
<tr>
<td>2. Data- and fact-driven management</td>
<td>2. Define customer requirements</td>
</tr>
<tr>
<td>3. Process focus, management and improvement</td>
<td>3. Measure current performance</td>
</tr>
<tr>
<td>4. Proactive management</td>
<td>4. Prioritize, analyze, and implement improvements</td>
</tr>
<tr>
<td>5. Boundaryless collaboration</td>
<td>5. Expand and integrate the Six Sigma system</td>
</tr>
<tr>
<td>6. Drive for perfection; tolerance of failure</td>
<td></td>
</tr>
</tbody>
</table>

Given the above-discussed importance of operational process efficiency in the internationalization context, it is suggested that:

For the progress aim of the thesis-

*Transformation Question 5:* Have internationalizing Indian companies seen an increase in the level of technological and operational competence against the background of international competition over the last 5 years?

For the strategic analysis aim of the thesis-

*Strategy Question 12:* Is technological and operational competence a success factor in firm internationalization in India?

And, for the process aim of the thesis-

*Process Question 5:* What are some of the ways in which internationalizing Indian companies have increased their level of technological and operational competence?

5.2.2 Achieving world-class quality

The Merriam Webster Online Dictionary defines quality as “degree of excellence”. At a practical level, quality can be understood to be the outcome of an organization’s efforts to produce output that
matches customer expectations or even exceed them. For many of the same reasons mentioned in the preceding section including overcoming the “liability of origin” and establishing a competitive advantage in the face of existing high-quality products in a globalized marketplace, world class quality can be considered to be an important advantage when it comes to success in international markets.

One of the more recent initiatives to foster quality consciousness in organizations is total quality management (TQM). Douglas and Judge (2001) found a strong relationship between adoption of TQM in organizations and achievement of competitive advantage. The authors suggest seven key or common practices that combine to support the total quality management (TQM) philosophy: top management team involvement, adoption of a quality philosophy, emphasis on TQM-oriented training, customer focus, continuous improvement of processes, management by fact, and use of TQM methods (following Dean and Bowen, 1994; Hackman and Wageman, 1995; Powell, 1995).

Powell (1995) summarizes the well-known perspectives on TQM as follows:

Table 7: Summary of well-known Total Quality Management perspectives

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Constancy of purpose</td>
<td>1) Quality planning</td>
<td>1) Management commitment</td>
<td>1) Committed leadership</td>
</tr>
<tr>
<td>2) Adopt the philosophy</td>
<td>a) Set goals</td>
<td>2) Quality improvement teams</td>
<td>2) Adoption and communication of TQM</td>
</tr>
<tr>
<td>3) Don’t rely on mass inspections</td>
<td>b) Identify customers and their needs</td>
<td>3) Quality measurement</td>
<td>3) Closer customer relationships</td>
</tr>
<tr>
<td>4) Don’t award business on price</td>
<td>c) Develop products and processes</td>
<td>4) Cost of quality evaluation</td>
<td>4) Closer supplier relationships</td>
</tr>
<tr>
<td>5) Constant improvement training</td>
<td>2) Quality control</td>
<td>5) Quality awareness</td>
<td>5) Benchmarking</td>
</tr>
<tr>
<td>6) Leadership</td>
<td>a) Evaluate performance</td>
<td>6) Corrective action</td>
<td>6) Increased training</td>
</tr>
<tr>
<td>7) Drive out the fear</td>
<td>b) Compare to goals and adapt</td>
<td>7) Zero-defects committee</td>
<td>7) Open organization</td>
</tr>
</tbody>
</table>

Crosby’s 14 quality steps (following Crosby, 1979) |

1) Quality planning
a) Set goals
b) Identify customers and their needs
c) Develop products and processes
2) Quality control
a) Evaluate performance
b) Compare to goals and adapt
3) Quality improvement

1) Management commitment
2) Quality improvement teams
3) Quality measurement
4) Cost of quality evaluation
5) Quality awareness
6) Corrective action
7) Zero-defects committee
8) Supervisor training

1) Committed leadership
2) Adoption and communication of TQM
3) Closer customer relationships
4) Closer supplier relationships
5) Benchmarking
6) Increased training
7) Open organization
8) Employee
8) Break down barriers  
9) Eliminate slogans and exhortations  
10) Eliminate quotas  
11) Pride of workmanship  
12) Education and retraining  
13) Plan of action  

| a) Establish infrastructure | 9) Zero-defects day | empowerment  
| b) Identify projects and teams | 10) Goal-setting | 9) Zero-defect mentality  
| c) Provide resources and training | 11) Error cause removal | 10) Flexible manufacturing  
| d) Establish controls | 12) Recognition | 11) Process improvement  
| | 13) Quality councils | 12) Measurement  

Source: Self

Powell’s research suggests that most features generally associated with TQM such as quality training, process improvement, and benchmarking do not generally produce advantage, but certain tacit, behavioral and imperfectly imitable features such as open culture, employee empowerment, and executive commitment can produce advantage.

Indian firms are increasingly seen to adopt the “world class quality” mantra. Instances include Jet Airways, which within a few months of the launch of its international flight services is already counted amongst the best airlines to fly with internationally (BusinessWeek, 2008a). Meanwhile in the hospitality industry, the Oberoi Udaivilas in Udaipur was rated the best hotel in the world in Travel + Leisure World’s Best Awards 2007 readers’ survey (Oberoi Hotels Website, 2007) – an outcome reflecting a marked departure from earlier socialist-era times in India, when quality standards in the hospitality industry were often not perceived to be world-class.

Following from the above discussion and given that the ability of Indian firms to sell their products and services would depend, in addition to being price-competitive, on the ability to match products of high quality produced elsewhere in the world, the following are proposed:

For the progress aim of the thesis-

*Transformation Question 6: Have internationalizing Indian companies achieved higher levels of “world-class” quality in their products and services over the last 5 years?*

For the strategic analysis aim of the thesis-

*Strategy Question 13: Is achieving levels of world-class product and service quality a success factor in firm internationalization in India?*
And, for the process aim of the thesis-

**Process Question 6: What are some of the ways in which internationalizing Indian companies are achieving world-class levels of product and service quality?**

**5.2.3 Innovation and learning**

Worldwide learning is one of the key issues mentioned in the international management literature on the challenges before multinational companies, along with integration of global operations and local responsiveness (Bartlett, 1986; Bartlett and Ghoshal, 1992; Doz, 1986; Porter, 1986; Prahalad and Doz, 1987). Knight and Cavusgil (2004) highlight the importance of an innovative orientation in “born globals” or companies that go international at or near founding. Similarly, Ghoshal and Westney (1993) suggest that “ideal type” MNCs utilize cross-unit learning, which involves the ability to transfer innovations originating in one part of the system to other subunits and to adapt and improve them in the process (Bartlett and Ghoshal, 1989).

The term “innovation” has been described by Kimberly (1981) as a departure from existing practices or technologies and representing a significant departure from the state of the art at the time it appears. Kanter (1983, p. 21) meanwhile defines innovation as follows: “innovation refers to the process of bringing any new, problem-solving idea to use. Ideas for reorganizing, cutting costs, putting in new budgeting systems, improving communication, or assembling products in teams are also innovations. Innovation is the generation, acceptance, and implementation of new ideas, processes, products, or services. It can thus occur in any part of the corporation, and it can involve creative use as well as original invention. Application and implementation are central to this definition; it involves the capacity to change or adapt. And there can be many different kinds of innovations, brought about by many different kinds of people: the corporate equivalent of entrepreneurs”. In her research, Kanter found that the entrepreneurial spirit producing innovation is associated with a particular way of approaching problems, which she calls “integrative” – this involves in her words the “willingness to move beyond received wisdom, to combine ideas from unconnected sources, to embrace change as an opportunity to test limits. To see problems integratively is to see them as wholes, related to larger wholes, and thus challenging established practices – rather than walling off a piece of experience and preventing it from being touched or affected by any new experience” (p. 27).

In the research pertaining to the question of how to be innovative, Cohen and Levinthal (1990) argue that the ability of a firm to recognize the value of new and external information, assimilate it, and apply it commercially – its absorptive capacity - is critical to its innovative capacities. Macmillan and McGrath (2001) meanwhile suggest that companies can differentiate themselves at every point where they come in contact with customers by mapping the consumption chain. Kim and Mauborgne (2001) propose that innovative companies can break free from the competitive pack by staking out
fundamentally new market space through the creation of products or services for which there are no direct competitors. Von Hippel, Thomke and Sonnack (2001) on the other hand propose the "lead user" concept for innovation, wherein in successful innovating companies such as 3M many commercially important projects are initially thought of and even prototyped by "lead users" - companies, organizations, or individuals that are well ahead of the market trends. Finally, Collins and Porras (1994) underscore the importance of trying a lot of things and keeping what works.

Innovation itself is related to learning, as it involves introducing and establishing a new way of doing things. The theories of organizational learning and transformation (Argyris and Schön, 1978; Gersick, 1991; Lant and Mezias, 1992; Levinthal and March, 1993; March, 1991; McGrath, 2001; North, 1990; Tushman and O’Reilly, 1997; Tushman and Romanelli, 1985) suggest that organizations use learning to become more effective and efficient while maintaining a fit with the environment. Learning occurs in two ways: 1) Learning that takes place in the form of incremental change in routines within the same schema, also called first-order learning (Lant and Mezias, 1992), single-loop learning (Argyris and Schön, 1978), or learning through exploitation (March, 1991). And, 2) Learning that involves the search for new routines and schemas rather than the mastery of existing routines, also called second-order learning (Lant and Mezias, 1992), double-loop learning (Argyris and Schön, 1978), or learning through exploration (March, 1991). Both first-order and second-order learning have been suggested to be crucial in achieving organizational effectiveness in the above works.

Some of the organizational characteristics leading to firm innovation and learning are presented in the table below:

Table 8: Organizational characteristics of innovating firms

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) High complexity in the professional training of organizational members</td>
<td>1) Creating open boundaries to new ideas and information and to the customer</td>
<td>1) Watch customers and non-customers and especially enthusiasts</td>
</tr>
<tr>
<td>2) High decentralization of power</td>
<td>2) Creating the motivation for risk-taking</td>
<td>2) Play with the physical workplace in a manner that sends positive “body language” to employees and visitors</td>
</tr>
<tr>
<td>3) Low level of formalization</td>
<td>3) Structuring experiments so that there is organizational learning irrespective of the</td>
<td>3) Think “verbs” and not</td>
</tr>
<tr>
<td>4) Low stratification in the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source: Self</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Indian companies that were perhaps earlier less known for their innovativeness have over the last few years made rapid strides in this direction. An example is the IT industry, where Indian companies innovated on a business model that addressed IT manpower and cost concerns in western countries by leveraging the plentiful supply of English-speaking engineering graduates in India. In the consumer goods industry, companies such as Nirma and Unilever India have been at the forefront of creating products and services for lower income groups or what CK Prahalad calls the “bottom of the pyramid” (Prahalad, 2005). Many of these innovations have been transplanted by Unilever in their operations in different parts of the world. Companies like Suzlon meanwhile are taking a global approach to organizational learning by strategically setting up marketing and R&D centers in European countries with significant strengths in the wind energy business in which the company operates. In a similar vein, the ability to learn amongst employees, or their learnability, as also integrative thinking, have been recognized as key strengths by leading Indian companies such as Infosys (Garud, Kumaraswamy and Sambamurthy, 2006).
Given the suggested importance of innovation and learning in fostering internationalization performance, and the Indian institutional context, where companies are in the initial stages of the internationalization process, an innovation and learning-based approach could be an important source of competitive strength. Hence it is proposed:

For the progress aim of the thesis-

*Transformation Question 7: Have internationalizing Indian companies seen an increase in the extent they innovate and learn through international operations and subsidiaries over the last 5 years?*

For the strategic analysis aim of the thesis-

*Strategy Question 14: Is achieving organizational ability for worldwide learning from international subsidiaries and units a success factor in firm internationalization in India?*

And, for the process aim of the thesis-

*Process Question 7: What are some of the ways in which internationalizing Indian companies are achieving organizational ability for worldwide learning from international subsidiaries and units?*

### 5.2.4 Marketing and branding

Marketing and branding can be important strategic skills when it comes to key issue of being able to selling products and services in international markets, where they are relatively lesser known. Marketing management has been defined by the well-known guru of marketing Philip Kotler (2003, p. 9) as “the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior value”. Slater and Narver meanwhile (1999, p. 1165) define a market-oriented business as one that seeks “to understand customers’ expressed and latent needs, and develop superior solutions to those needs”

Business Week (2005b) suggests that while Indian companies like Bharat Forge, Ranbaxy, etc have used their initial international forays to gather necessary international marketing and distribution experience, as well as to access key technologies, which they can leverage in the next, more aggressive stage of their internationalization process, the majority of Indian firms still lack the skills needed in overseas marketing and distribution. Research however suggests that these skills are crucial in the internationalization context. In their study of success factors in “born globals” or companies that have a significant international orientation from around the time of founding, Knight and Cavusgil (2004) found that such firms typically have a strong international marketing orientation. This appears to spark innovation-based strategies that in turn drive superior international performance through knowledge of customers, product development and adaptation, as well as meticulous manipulation of key marketing tactical elements to target foreign customers with quality, differentiated goods.
Brand management can also be considered to be especially important for firms from emerging economies that seek to create awareness of their services and products and overcome the “liability of foreignness” associated with emerging economies. Some suggested steps to build brands in the new economy (adapted from Schultz and Schultz, 2001 in Kotler, 2003) include:

1. Companies should clarify the corporation’s basic values and build the corporate brand
2. The brand’s ultimate success will depend on everyone in the company accepting and living the brand’s value proposition
3. Companies need to develop a more comprehensive brand building plan which will create positive customer experiences at every touchpoint
4. Companies need to define the brand’s basic essence to be delivered wherever it is sold
5. Companies should use the brand-value proposition as the key driver of the company’s strategy, operations, services, and product development
6. Companies must measure their brand building effectiveness by a comprehensive set of measures including customer-perceived value, customer satisfaction, customer share of wallet, customer retention, and customer advocacy

One stellar example of international brand creation by Indian companies is the Tata Group. The Group has been a lot in the focus of the international media on account of its aggressive international M&A activity, including the buyout of Corus Steel and the Jaguar and Land Rover brands, as well as its endearing corporate values stressing inclusive growth (BusinessWeek, 2007, Forbes, 2005 and BusinessWeek, 2008b).

Against this background, the present study wants to test whether the trend towards stronger international marketing and branding skills is seen across more firms from India, and hence the following are proposed:

For the progress aim of the thesis-

Transformation Question 8: Have internationalizing Indian companies strengthened their foreign market-entry and market-development skills over the last 5 years?

Transformation Question 9: Have internationalizing Indian companies strengthened their brand-recognition in international markets over the last 5 years?

For the strategic analysis aim of the thesis-
Strategy Question 15: Is achieving strategic skills like international marketing, brand-building, etc a success factor in firm internationalization in India?

And, for the process aim of the thesis-

Process Question 8: What are some of the ways in which internationalizing Indian companies are achieving strategic skills like international marketing, brand-building, etc?

5.2.5 Organizational entrepreneurship

McDougall and Oviatt (2000) define international entrepreneurship as innovative, proactive, and risk-seeking behavior, which crosses national borders and is intended to create value in organizations. Several authors have highlighted the importance of entrepreneurship to firm survival and performance (Covin and Slevin, 1989; Drucker, 1985; Lumpkin and Dess, 1996; Miller, 1983), and to firm international competitiveness (Oviatt and McDougall, 1999; Simon, 1996). Hitt et al (2001) suggest that globalization requires that entrepreneurs and managers develop a global mindset in order to manage the complex interactions and transactions required in global markets (following Hitt, Ricat, Costa and Nixon, 1998; Murtha, Lenway and Bagozzi, 1998).

According to Barringer and Bluedorn (1999), three variables that underlie a firm’s ability to behave in an entrepreneurial manner are mentioned in the literature. These are opportunity recognition (Miller, 1983; Stevenson and Jarillo-Mossi, 1986; Zahra, 1983); organizational flexibility (Murray, 1984; Naman and Slevin, 1993; Stevenson and Gumpert, 1985); and the firm’s ability to measure, encourage, and reward innovative and risk-taking behavior (Sathe, 1988; Zahra, 1993). Similarly, Lumpkin and Dess (1996) suggest that in the literature five dimensions have been useful for characterizing and distinguishing key entrepreneurial processes. These are autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness. Ireland et al (2001) meanwhile argue that while increased globalization of markets heightens the complexity of doing business, it also increases entrepreneurial opportunities. Finally, Bartlett and Ghoshal (1992) posit that the entrepreneurial processes in innovative firms occur at three levels: Front line managers are responsible for creating and pursuing opportunities; senior level coaches review, develop and support initiatives; and corporate leaders establish the strategic mission and performance standards. More recent literature on the “F-form” calls for organizational design which “allows employees complete freedom and responsibility to take actions they decide are best” (Getz, 2009, p. 35).

The following table meanwhile offers an overview of research on organizational factors fostering organizational entrepreneurship:
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Does your company encourage the self-appointed intrapreneur?</td>
<td>1) Organize for rapid experimentation</td>
<td>1) Proactiveness symbolizing freedom to conduct experiments, renewal and borrowing ideas from others as a means of breaking from past behaviors</td>
</tr>
<tr>
<td>2) Does your company provide ways for intrapreneurs to stay within their intrapprises?</td>
<td>2) Fail early and often but avoid mistakes</td>
<td>2) Aspirations beyond current capability through progress, continuous improvement and finding better combination of resources</td>
</tr>
<tr>
<td>3) Are people in your company permitted to do the job in their own way, or are they constantly stopping to explain their actions and as for permission?</td>
<td>3) Anticipate and exploit early information</td>
<td>3) Team-orientation represented by the crucial role of top and middle managers in building coalitions to support innovative ideas and creative individuals</td>
</tr>
<tr>
<td>4) Has your company evolved quick and informal ways to access the resources to try new ideas?</td>
<td>4) Combine old and new technologies.</td>
<td>4) Capability to resolve dilemmas by surmounting challenges which had previously appeared impossible</td>
</tr>
<tr>
<td>5) Has your company developed ways to manage many small and experimental products and businesses?</td>
<td></td>
<td>5) Learning capability because of the key role played by it in fostering renewal or framebreaking change without being frozen in thought processes that limit change</td>
</tr>
<tr>
<td>6) Is your system set up to encourage risk taking and to tolerate mistakes?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7) Can your company decide to do something and stick with the experiment long enough to see if it will work, even when that may take years and several false starts?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8) Are people in your company more concerned with new ideas or with defending their turf?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9) How easy is it to form functionally</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In the Indian context, Reliance Industries Ltd. – the country’s largest private sector company – and its founder the late Mr. Dhirubhai Ambani well represent the spirit of “can-do” and entrepreneurship emerging in Indian companies in the last few years. Mr. Ambani had a legendary reputation for trusting his people with huge responsibilities and backing them through challenges (Rediff 2008b and 2007a). He is credited to having once said: “Give the youth a proper environment. Motivate them. Extend them the support they need. Each one of them has infinite source of energy. They will deliver” and “We bet on people” on another occasion (Reliance Industries Limited Website - Quotes). Although Mr. Ambani started from humble beginnings, the Reliance group grew rapidly to become the largest business group in India and his sons ranked as the 5th and 6th wealthiest people in the world according to Forbes, 2008 (Forbes, 2008). Given that Indian companies overall were reported to have high levels of centralization and command and control styles of management (Ghoshal et al, 2000; Ahmad and Chopra, 2004), we seek to test if this style has undergone change in favor of greater entrepreneurial freedom to employees. Hence:

For the progress aim of the thesis-

Transformation Question 10: Have internationalizing Indian companies seen an increase in the extent to which employee entrepreneurship is encouraged throughout international operations over the last 5 years?

For the strategic analysis aim of the thesis-

Strategy Question 16: Is the entrepreneurial drive of employees across the organization and at all hierarchical levels a success factor in firm internationalization in India?

And, for the process aim of the thesis-

Process Question 9: What are some of the ways in which internationalizing Indian companies are achieving higher entrepreneurial drive of employees across the organization and at all hierarchical levels?
5.2.6 Organizational integration

Integration is one of the important issues mentioned in the international management literature on the challenges before multinational companies, along with responsiveness and worldwide learning (Bartlett, 1986; Bartlett and Ghoshal, 1992; Doz, 1986; Porter, 1986; Prahalad and Doz, 1987) and is deemed necessary in order to coordinate the diverse activities, operations and international locations of an international firm.

Rotation of managers through international operations and subsidiaries has been suggested to be a way to achieve organizational integration. In their literature review of firm coordination mechanisms, Martinez and Jarillo (1989) suggest that informal communication is used to supplement formal communication (Simon, 1976) through creation of networks (Kotter, 1982) of informal and personal contacts between managers from different units of the company, management trips, personal visits, manager transfers, etc. Hedlund and Kogut (1993) suggest that one of the features of the heterarchical MNC is the use of lateral communications fostered through increasing emphasis on functions as a central dimension, use of international project groups, development of electronic library etc. Perlmutter (1969) meanwhile posits that “geocentric” firms are characterized by a two-way information flow with heads of subsidiaries part of the management team. In a similar light, Ghoshal and Westney (1993) argue that “ideal type” MNCs exhibit interdependence, wherein subunits and headquarters are linked to each other through cross-flows of people, technology and products so that key activities are performed in the location with the locational or organizational advantage. Other authors have also dwelt on the issue of integration of an organization’s operations. For instance, Nadler and Gerstein (1992) suggest the importance of socio-technical integration and accessible information flow in high-performance work systems. Similarly, Lawler (1993) suggests that “high involvement organizations” use information system practices such as the use of distributed technology, online capability, and user-friendliness; regular financial reviews; competitive benchmarking; a suggestion processing system; attitude surveys; and performance feedback against goals.

The extent to which firms may use managerial rotation has however been also suggested to be culture specific. For instance, Jaeger (1983) and Jaeger and Baliga (1985) suggest that Japanese firms prefer informal and cultural mechanisms to bureaucratic control; this is based on the use of expatriates, a high frequency of visits, a policy of transfer of managers, and a strong socialization process, which allows a more decentralized decision-making process. Edström and Galbraith (1977) also found in their study of four European MNCs that international transfer through the employee’s career was a key administrative tool for socializing and served to foster the communication system of the MNC as it was based on verbal control.

Use of information technology has also been proposed as an integrating mechanism in the literature. Elaborating on this issue, Galbraith et al (1993) suggest that information-availability throughout the
organization is central to the evolution of the flatter, customer-focused and dynamic organization. Information needs to flow in multiple directions throughout the organization. Lateral organizations require much higher horizontal movement of information, with little hierarchical control over the flow of information. In a similar manner, high-involvement organizations (Lawler, 1993) are suggested to require horizontal flows and for lower-level employees to have greater availability of information. Lawler further suggests that in addition to the technology build-up for knowledge-flow, it also necessary to empower people to use the technology.

In the Indian context, Ghoshal et al (2000) suggest that integration processes are becoming increasingly important, as companies become more international, requiring linking and leveraging diverse competencies and resources lodged in different business units. It can thus be expected that Indian firms would be increasingly making use of mechanisms like the use of technology and movement of managers (as described above) to integrate global operations. Hence:

For the progress aim of the thesis-

Transformation Question 11: Have internationalizing Indian companies increased the use of IT systems to share information worldwide to foster integration of international activities over the last 5 years?

Transformation Question 12: Have internationalizing Indian companies increased the rotation of managers through international operations to foster integration of international activities over the last 5 years?

For the strategic analysis aim of the thesis-

Strategy Question 17: Is international integration through use of IT systems, rotation of managers, etc a success factor in the firm internationalization context in India?

And, for the process aim of the thesis-

Process Question 10: What are some of the ways in which internationalizing Indian companies are achieving international integration through use of use of IT systems, rotation of managers, etc?

5.2.7 Organizational renewal

The ability of the organization to renew itself in response to changes in the external environment has been mentioned to be important in dealing with environmental complexities and competition is (Nonaka, 1990; Bartlett and Ghoshal, 1998).

Teece et al (1997) emphasize the usefulness of the ability to learn, adapt, change and renew over time in environments where time-to-market and timing are crucial, when rate of technological change is
rapid and the nature of future competition and markets difficult to determine. Kiesler and Sproull (1982, p. 548) suggest that “(a) crucial component of managerial behavior in a rapidly changing environment is problem sensing, the cognitive processes of noticing and constructing meaning about environmental change so that organizations can take action”. In a similar vein, Collins and Porras (1994) talk about preserving the core and simultaneously stimulating progress.

Renewal can be understood as “improvisation, continuous adaptation and editing, learning, and changing response repertoires” (Pettigrew et al, 2001, p. 705). Crossan and Bedrow (2003) suggest that the process of strategic renewal follows four steps: intuiting, interpreting, integrating and institutionalizing. Mezias and Glynn (1993) suggest three ways to bring about renewal: institution, revolution and evolution. Innovation through institution occurs as the outcome of an organized, purposeful and systematic process (Drucker, 1985). The revolutionary approach involves a conscious effort to move away from the current organizational paradigms (Mezias and Glynn, 1993). Finally, evolutional strategies allow the organization to move beyond its current capabilities by making boundaries unclear and involve the idea that innovation is a chaotic, probabilistic process (Mezias and Glynn, 1993). Ghemavat and Ricart I Costa (1993) meanwhile neatly highlight the importance of this balance between “static” and “dynamic” efficiency as follows: “we should point out that the tension between static and dynamic efficiency seems to be central to strategy. To be specific, this tension seems to be an essential element of current debates about the wisdom of pursuing the targeted competitive position (static efficiency) versus new visions of how to compete (dynamic efficiency), or pursuing fit with the organization's existing resources, capabilities or strategy vs. what Pascale (1991) refers to as transformation and Hamel and Prahalad (1993) as stretch (both neologisms can be associated with dynamic efficiency)” (p. 72). The authors suggest that dynamic efficiency deserves more attention than it was previously accorded in today’s environment, where the pace of change is accelerating or organizational structures are proving more commitment-intensive than previously thought.

Bartlett and Ghoshal (1992) suggest that the renewal process in MNCs is built on two symbiotic components. On the one hand, it consists of an ongoing process for rationalization and restructuring of existing businesses to achieve continuous improvements. This rationalization component focuses on the effectiveness of resource use and strives for continuous productivity growth. Tools used in this component include benchmarking to emulate best-in-class standards. On the other hand, it consists of revitalization or the creation of new competencies and new businesses, of “challenging and changing the existing rules of the game and leapfrogging the competition through quantum leaps” (p. 801).

The above discussion suggests that the ability of an organization to renew itself could be an important capability in an environment of change brought about by internationalization, where any delay in maintaining a dynamic fit with the environment could have strong negative consequences because of the higher degree of competition compared to the earlier closed economies. It is thus proposed:
For the progress aim of the thesis-

Transformation Question 13: Have internationalizing Indian companies increased their ability to quickly renew and readapt existing routines and practices in response to changes in the international environment over the last 5 years?

For the strategic analysis aim of the thesis-

Strategy Question 18: Is the organizational ability to renew itself in response to changing environmental circumstances a success factor in firm internationalization in India?

And, for the process aim of the thesis-

Process Question 11: What are some of the ways in which internationalizing Indian companies are developing the ability to renew themselves in response to changing environmental circumstances?

5.2.8 Graphical representation of elements of organizational processes

The following figure summarizes the elements of organizational processes, which will be evaluated in the empirical part of this study.

Figure 8: Elements of organizational processes

![Diagram of organizational processes](image)

Source: Self

The study now moves on to elements of human resources important in the firm internationalization context.
5.3 Human Resource (HR) policies

Human resource (HR) policies refer to the recruitment, development and deployment of human capital (Hatch and Dyer, 2004, following Snell and Dean, 1992; Koch and McGrath, 1996). In the internationalization context, this could be understood to include choosing people with the right skills for international management, training them through education and international assignments, deploying them effectively throughout the organization, appraising them correctly, and finally establishing a satisfactory career path for them (following Bartlett and Ghoshal, 1992b; Black, Gregersen and Mendenhall, 1992a; Edström and Lorange, 1984; Gomez-Mejia, 1988).

Various authors have pointed to the importance of people or human resources as one of the most important organizational competitive advantages (Agrawal, 1999; Collins and Clark, 2003; Hatch and Dyer, 2004; Perlmutter, 1969). Pfeffer (1994, 1998), argues that success in today’s hypercompetitive markets has more to do with innovation, speed and adaptability and less to do with economies of scale, technology, patents and access to capital. Pfeffer further argues that the former sources of competitive advantage are largely derived from firms’ human resources.

Pfeffer (1994, 1998) and others including Kochan and Osterman (1994), Lawler (1992, 1996) and Levine (1995) have called for greater firm investment in high-performance or high-involvement human resource systems designed to enhance employees’ skills, commitment and productivity. Such high-performance work systems have the following characteristics: rigorous selection procedures, internal merit-based promotions, grievance procedures, cross-functional and cross-trained teams, high levels of training, information sharing, participatory mechanisms, group-based rewards, and skill-based pay (summarized in Datta, Guthrie and Wright, 2005). A number of studies have also revealed links between greater use of this type of practices and labor productivity (e.g. Arthur, 1994; Guthrie, 2001; Huselid, 1995; Koch and McGrath, 1996).

The table below highlights some of the key literature on HR factors associated with a firm’s internationalization efforts:

<table>
<thead>
<tr>
<th>Table 10: Key HR factors in firm internationalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Getting the right people (staffing) - key selection factors: strategic aspects of each international assignment; required professional skills; general managerial skills; communication skills; individual characteristics; gender related</td>
</tr>
<tr>
<td>2) There are high rewards in company for people</td>
</tr>
</tbody>
</table>
Table 5.1: Key Components of HR Policies

<table>
<thead>
<tr>
<th>Factors</th>
<th>Selection</th>
<th>who get involved in international activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2) Helping people do the right thing (training) - through attention, retention and trying out new behavior</td>
<td>3) Company uses incentive programs for managers who expand international activities</td>
<td></td>
</tr>
<tr>
<td>3) Determining how people are doing (appraising) - paying key attention to performance criteria, rater competence; and rater bias</td>
<td>4) International experience is a definite plus when middle and top managers are hired</td>
<td></td>
</tr>
<tr>
<td>4) Encouraging the right things to do (rewarding) - taking into account issues of rewarding right behavior; attracting and retaining quality people for global assignments; enhancing feelings of equity</td>
<td>5) International experience is a definite plus when middle and top managers are promoted</td>
<td></td>
</tr>
<tr>
<td>5) Doing things right for people (developing) - prereturn repatriation adjustment; postreturn repatriation adjustment</td>
<td>6) Company supports training and development programs in international business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7) International activities are considered as part of middle and upper management's performance review</td>
<td></td>
</tr>
</tbody>
</table>

Source: Self

There is some evidence that Indian firms are moving towards innovative HR policies. Som (2006) found evidence of some such initiatives in a sample of Indian firms. These included redeployment and retraining of employees at a leading state-run company; BPR, flat structure and outsourcing of non-core activities at leading automobile manufacturer; segmentation of HR into various SBUs at a public sector bank; cross-border learning programs at an internationalizing pharma company; and cross-functional teams with skilled professionals and clear career paths and well-developed management development programs at a large steel company.

With this background, the present study now proceeds to conceptualize the constituents of HR policies that could be considered important in the firm internationalization context.

5.3.1 Selection

Selection involves choosing people with the right skills for international management and screening people for the right qualifications has been shown to be useful for achieving organizational goals (Hunter and Schmidt, 1982; Ichniowski and Shaw, 1999; Koch and McGrath, 1996).

Prior international experience has been cited in the literature as an important selection criterion for international assignments. The characteristics of the top management have been shown to influence
internationalization and international performance (Bloodgood, Sapienza and Almeida, 1996; Carpenter and Frederikson, 2001; Daily et al, 2000; Reuber and Fischer, 1997;) and firm performance in general (Bantel and Jackson, 1989; Carpenter and Westphal, 2001; Hambrick and Mason, 1984). Sambharya (1996) found that executives’ international experience was positively related to internationalization. Similarly, Roth (1995) found that among medium-sized international firms in global industries, CEO international experience was positively related to income growth in companies with a high level of international interdependence. Ricks, Toyne and Martinez (1990, p. 220) suggest that international experience provides management with a global skill set by exposing them to different value systems, languages and international environments. Erström and Galbraith (1997) suggest that managers increase their global networks through international assignments. Carpenter, Sanders and Gregersen (2001) meanwhile posit that international assignment experience may contribute to inter- and intrafirm reputation and trust, and found that U.S. multinationals performed better with CEO’s with international assignment experience at their helm.

In addition to international experience, higher educational levels are suggested to result in more productive human capital (Hitt et al, 2001), and serve as a proxy for employee cognitive skills and motivational need for achievement (Hatch and Dyer, 2004). Higher educational levels can also serve as a proxy for "professionalism", which is important in the dynamic environment of internationalization (Fredrickson, 1986 following Perrow, 1972).

Other important considerations in the selection of human resources for international assignments that have been suggested in the literature include self-orientation, others orientations, perceptual ability and cultural toughness (Katz and Seifer, 1996). Lawler (1993) suggests staffing policies that consider employment security; peer input; extensive testing and interviewing; open job posting; testing for technical and social skills; and promotion from within.

The following table presents suggested selection criteria from two well-cited works in the firm internationalization context:

Table 11: Important HR selection criteria in the firm internationalization context

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Job suitability</td>
<td>1. Key strategic aspects of each international assignment</td>
</tr>
<tr>
<td>2. Cultural adaptability</td>
<td>2. Required professional skills</td>
</tr>
<tr>
<td>3. Desire for foreign assignment (candidate and family)</td>
<td>3. General managerial skills</td>
</tr>
<tr>
<td>4. Personal profiles of a</td>
<td>4. Communication skills</td>
</tr>
</tbody>
</table>
Successful international assignee

<table>
<thead>
<tr>
<th>Successful International Assignee</th>
<th>5. Individual characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6. Gender related factors</td>
</tr>
<tr>
<td></td>
<td>7. Spouse and family factors</td>
</tr>
</tbody>
</table>

Source: Self

For an emerging economy like India, where managers with significant international management skills may be relatively uncommon due to the recent opening up of the economy, selection of people with the appropriate qualities required for internationalization success, such as the skills mentioned in the preceding paragraphs, might be a critical issue. This study thus proposes:

For the progress aim of the thesis-

**Transformation Question 14:** Have internationalizing Indian companies increasingly considered prior international experience as a selection criteria in selecting employees for international operations over the last 5 years?

**Transformation Question 15:** Have internationalizing Indian companies increasingly considered personality factors like open mind, self-confidence and ability to work across cultures as selection criteria in selecting employees for international operations over the last 5 years?

**Transformation Question 16:** Have internationalizing Indian companies increasingly considered necessary job qualifications as a selection criteria in selecting employees for international operations over the last 5 years?

**Transformation Question 17:** Have internationalizing Indian companies increasingly considered the desire for foreign assignment (of candidate and family) as a selection criteria in selecting employees for international operations over the last 5 years?

For the strategic analysis aim of the thesis-

**Strategy Question 19:** Is the practice of selection of employees based on prior international experience, personal and job skills, and desire for international assignments a success factor in the firm internationalization context in India?

And, for the process aim of the thesis-

**Process Question 12:** What are some of the ways in which internationalizing Indian companies are selecting employees based on prior international experience, personal and job skills, and desire for international assignments?
5.3.2 Development and training

Human resource development is a second step in the HR process, and can be an alternative to hiring employees from outside the organization. Kerr and Jackofsky (1989, p. 158) define management development as “a process through which the manager's value to the organization increases based on the acquisition of new behaviors, skills, knowledge, attitudes, and motives” (following Wakabayashi, 1980).

Gomez-Mejia (1988) suggests that internationalizing firms should encourage development of their employees in a direction that is consistent with the international strategy of the firm. Such development can take the form of company workshops, sending employees for training courses, etc. Kerr and Jackofsky (1989) define training as consisting of “a formal instructional process through which the organization imparts to its employees the skills, knowledge, attitudes and social behaviors needed to perform current and future jobs” (p. 158). Training makes the human capital firm specific and thus inimitable. In addition, sustained investments in training make copying of the process by rival firms difficult because of time-compression diseconomies (Hatch and Dyer, 2004). Koch and McGrath (1996) suggest that company-sponsored training often increases the firm specificity of human skills and thus decreases the probability that other firms may be able to equally productively hire these workers.

Lawler (1993) propose that “high involvement organizations” utilize training and development practices such as economic education; team-skills training; skills assessments; peer input; training for problem-solving; regular horizontal and vertical training; and total quality control skills and techniques. Gerstein and Shaw (1992) propose the importance of developing employees who understand both broader strategic issues and the specific tasks in all areas of the organization. Meanwhile, Briscoe and Schuler (2004) opine that key imperatives of a training and development program include: think and act globally; become an equidistant global learning organization; focus on the global system, not its parts; develop global leadership skills; empower teams to create a global future; make learning a core competence of the organization; and reinvent yourself and the global organization. In a similar light, Evans (1992) suggests that one of the best ways to develop human capital in the internationalization context is through challenging jobs, which are supplemented through coaching and training. Often, according the Evans, the most challenging jobs are in subsidiaries abroad rather than at headquarters.

Given the fact mentioned in the previous sub-section that Indian EMNCs, on account of the relatively recent opening-up of the economy to internationalization, would have access to relatively fewer human resources with necessary international management skills, they would also have to focus on development and training of their current employees and managers. The growing popularity of management development programs at top Indian business schools such as the Indian Institutes of
Management (IMs) and the Indian School of Business point to the growing demand for such skills. In light of the above argument, this study proposes:

For the progress aim of the thesis-

*Transformation Question 18: Have internationalizing Indian companies increased the extent to which employees are given training in international management skills over the last 5 years?*

For the strategic analysis aim of the thesis-

*Strategy Question 20: Is employee skill development in international management skills a success factor in firm internationalization in India?*

And, for the process aim of the thesis-

*Process Question 13: What are some of the ways in which internationalizing Indian companies are training employees in international management skills?*

### 5.3.3 Appraisal and reward systems

Firm internationalization literature mentions the importance of expatriates as a coordinating mechanism to integrate the organization and spread learning in the MNC (Bartlett and Ghoshal, 1989; Evans, 1992; Edström and Galbraith, 1977; Jaeger, 1983; Jaeger and Baliga, 1985; Johnson and Ouchi, 1974; Katz and Seifer, 1996; Ouchi and Johnson, 1978; Yoshino, 1976). One of the crucial issues to increase the effectiveness of expatriate deployment in the internationalization context includes appraisal and remuneration systems to make international assignments more productive and attractive, respectively (Gomez-Mejia, 1988; Katz and Seifer, 1996).

According to Gomez-Mejia (1988), research suggests that reward systems exert a powerful signaling effect on a firm by conveying to employees what the company considers to be most crucial (following Milkovich and Newman, 1987). Briscoe and Schuler (2004) suggest that reward systems for international assignments should comprise of incentive components and equalization adjustments. Perlmutter (1969) meanwhile suggests that “geocentric” firms reward international and local executives for reaching both local and worldwide objectives.

On the subject of employee appraisal, Briscoe and Schuler (2004) underscore the importance of the following factors in appraising employees in international operations:

- qualifications like training experience, technical skills, social and language skills, education
- targets derived from parent company objectives, subsidiary objectives, local objectives, and from individual development goals
• attitude for flexibility, interpersonal understanding, ability to cope with stress, openness to change

• job performance such as development of local team, communication and decision-making, personal growth and development, and application of newly gained expertise

In addition to the above, it is also conceivably important for evaluators to be aware of local environmental conditions that have an effect on performance. As an example, the performance of an international unit might have been affected due to sudden economic changes, which lie outside the influence of the team. This necessitates involvement of someone with a deep understanding of the local environment, say the team leader, to avoid the situation that the employee is unfairly rewarded or punished for performance that cannot be directly attributed to him or her.

In the Indian context, there are instances of companies such as Infosys and Suzlon using performance-linked incentive systems and peer evaluation to respectively motivate employees and ensure a balanced appraisal of performance. Based on this discussion the study proposes:

For the progress aim of the thesis-

Transformation Question 19: Have internationalizing Indian companies adapted the use of tailor-made employee appraisal and reward systems that consider the uniqueness of situations and success factors for international assignments over the last 5 years.

For the strategic analysis aim of the thesis-

Strategy Question 21: Is the use of employee appraisal and reward systems, which consider the uniqueness of international situations and success factors in evaluations, a success factor in firm internationalization in India.

And, for the process aim of the thesis-

Process Question 14: What are some of the ways in which internationalizing Indian companies are using employee appraisal and reward systems that consider the uniqueness of international situations and success factors in evaluations?

5.3.4 Career planning

Kerr and Jackofsky (1989, p. 158) underline the importance in strategy implementation of succession planning, which is defined as “the systematic management of mobility patterns in an organization” (p. 158). Its short-term objective is understood to provide a rational response to planned or unanticipated vacancies by maintaining a detailed inventory of the organization’s managerial resources (following Reid, 1977 and Revelle, 1979). The long-term objective is understood to insure the availability of
skilled managers by specifying the sequence of training and development experiences needed by individuals to realize their potential (following Walker and Armes, 1979). Granrose and Portwood (1987) add that the most common rationale for organizational involvement in individual career planning is that it would reduce uncertainty for employees and thus lead to positive outcomes for the individual.

One of the factors considered important in the effective deployment of employees in international operations is career planning that does not penalize expatriates for being away from headquarters, and which facilitates the effective reentry of expatriates into the home organization (Adler, 1991). Bolino (2007) in a summary of existing literature on expatriate assignments and career success suggests that globalization has created an increased demand for business leaders with a high level of global awareness and international skills, and expatriate assignments play an important role in the development of such global managers (following Gregersen, Morrison and Black, 1998; Stroh, Black, Mendenhall and Gregersen, 2005). However, according to Bolino, research on the link between expatriate assignments and career success is mixed. While press reports suggest advantages of international assignments on executives’ careers (following Fisher, 1997; Fisher, 2005; Lublin, 1996), other research (Stroh et al, 2005) indicates that while most HR executives believe that expatriate assignments have a positive career impact, the majority of those who have had international assignments actually believe that it has adversely affected their careers. A GMAC survey meanwhile points out that only 34% of HR professionals believed that international experience was helpful to one’s career (GMAC Global Relocation Services, 2004). Moreover, Black, Gregersen and Mendenhall (1992b) found that only very few employees are promoted when they come home. Tung (1998) and the GMAC survey (2004) found that most companies do not give their expatriates any post-assignment employment guarantees whatsoever (Tung, 1998; GMAC Global Relocation Services, 2004). On account of some of these reasons, Peltonen (1997, p. 106) argues that “among the most problematic aspects of repatriation are the unfulfilled expectations regarding expatriates’ career advancement once they have returned to their home organization.”

Based on the above arguments, the present study seeks the following:

For the progress aim of the thesis-

Transformation Question 20: Have internationalizing Indian companies increased the strength of their international career planning process over the last 5 years?

For the strategic analysis aim of the thesis-

Strategy Question 22: Is effective international career planning a success factor in firm internationalization in India?
And, for the process aim of the thesis-

*Process Question 15: What are some of the ways in which internationalizing Indian companies are using effective international career planning practices?*

### 5.3.5 Graphical representation of elements of organizational HR policies

The following figure summarizes the elements of organizational HR policies, which will be evaluated in the empirical part of this study.

Figure 9: Elements of HR policies

```
HR POLICIES
  ↓
Selection
  ↓
Career Planning
  ↓
HR POLICIES
  ↓
Development & Training
  ↓
Appraisal & Reward
```

Source: Self

The study now moves on the examine the role of an organization’s leadership in its internationalization efforts.

### 5.4 Leadership

Etzioni (1965, pp. 690-691) describes leadership as involving “the ability, based on the personal qualities of the leader, to elicit the followers’ voluntary compliance in a broad range of matters. Leadership is distinguished from the concept of power in that it entails influence, i.e. change in preferences, while power implies only that the subjects’ preferences are held in abeyance.” Selznick (1957, p. 29) meanwhile notes that leadership involves critical decisions. Critical tasks of leadership, according to Selznick, follow into four categories: 1) To define the institutional mission and role, which is a vital role in a rapidly changing environment. 2) The “institutional embodiment of purpose”, which consists of building policy into the structure and deciding on the means to achieve the desired
ends. 3) Defending the organizational integrity, wherein leaders represent their organizations to the public and their own members and persuade them to follow their decisions. 4) Ordering internal conflict.

The leadership function of an organization is suggested to play an important role in organizational performance including in the firm internationalization context. Research on the link between top management team characteristics and firm performance came into the limelight with Hambrick and Mason’s introduction of the “Upper Echelons” perspective (1984), which suggested that top management teams (TMTs) play an important role in firm performance as they stand at the apex of the organizational structure and are ultimately responsible for achieving the firm’s objectives. Sanders and Carpenter (1998) suggest that in unstable environments organizational success often depends on the ability of top managers to identify strategic alternatives, which maintain an organization’s fit with the changing environment (following Halebian and Finkelstein, 1993). Meanwhile, Weiner and Mahoney (1981) found that considering stewardship (leadership) in the analysis of profitability and stock prices accounted for an additional 40 percent of variance not explained by environmental, organizational, or leadership strategies. These findings according to the author are in contrast to earlier studies by Lieberson and O’Connor (1972), and Salancik and Pfeffer (1977), which found that top organizational leadership does not have a very large influence on organizational outcomes greatly - no more than 15 percent of performance variance was explained by variance in individual leaders in either study.

The study now looks at two leadership characteristics “providing a vision and stretch goals” and “bringing international experience”, which are suggested to play an important role in a firm’s internationalization efforts.

5.4.1 Vision and stretch goals

Academic scholars have identified the creation of an overall organizational vision as a key leadership trait. Shrivastava and Nachmann (1989) define “strategic leadership” as referring to the “creation of an overall sense of purpose and direction which guide integrated strategy formulation and implementation in organizations” (following Hosmer, 1982). On a similar note, Waldman, Ramirez, House and Puranam (2001) define “charismatic leadership” as “a relationship between an individual (leader) and one or more followers based on leader behaviors combined with favorable attributions on the part of followers. Key behaviors on the part of the leader include articulating a vision and sense of mission, showing determination, and communicating high performance expectations. Favorable attributional effects on followers include the generation of confidence in the leader, making followers feel good in his/her presence, and the generation of strong admiration or respect” (p. 135).

Creating leadership vision or “visioning” consists of, according to Westphal and Mintzberg (1989), the following distinct stages: “(1) the envisioning of ‘an image of a desired future state’ (Bass, 1987, p.
which (2) when effectively articulated and communicated to followers (Bennis and Nanus, 1985; Tichy and Devanna, 1986; Gluck, 1984) serves (3) to empower those followers so that they can enact the vision (Sashkin, 1987; Srivastva, 1983; Conger and Kanungo, 1987; Robbins and Duncan, 1987). On a similar note, Gioia and Chittipeddi (1991) suggest that in order to bring about strategic change, the CEO or the TMT must first develop a sense of the firm’s internal and external environment and then devise a revised conception of the organization via a process they call sensemaking. Following this interpretive work, some “abstract” vision of the changed organization develops which is disseminated to stakeholders and constituents, via a process called sensegiving. In a similar light, Lawler (1993) posits that “high involvement organizations” are characterized by leadership involvement in: monitoring the culture, managing symbols representing the vision, sharing power and information, setting goals for the organization, modeling a good decision-making process, developing values/philosophy statement and using it, benchmarking performance, and overall monitoring of the environment.

Research shows that a compelling and salient strategic vision enhances commitment to an organization’s strategic direction (Collins and Porras, 1994; Hamel and Prahalad, 1989; Hart, 1992; Oswald, Mossholder and Harris, 1994; Schoemaker and van der Heijden, 1992), and that stretch goals and high aspirations are important in achieving organizational success (Hamel and Prahalad, 1993). Mosakowski (1998) suggests that the literature on goal setting points to a positive relationship between goal setting techniques and performance (Locke and Latham, 1990, Ch. 2). The findings suggest that when challenging and specific goals are set and individuals accept these goals, then higher levels of performance are seen on average. These findings have also been seen at the organizational level (Smith and Locke, 1990; Smith, Locke, and Barry, 1990). Larwood, Falbe, Krieger and Miesen (1995) suggest that a significant amount of both popular (cf. Labich, 1988; Kotter, 1990; Nussbaum, Moskowitz, and Beam, 1985) and academic work (Kouzes and Posner, 1987; Sashkin, 1987; Westley and Mintzberg, 1989) supports the idea that top strategic leaders can, or should be able to clearly state their visions for their organizations. Similarly, Waldman et al (2001) found a positive relationship between leadership charisma and performance under conditions of uncertainty.

Given the above-described importance of the role of leadership in providing a vision and stretch goals for the firm’s internationalization efforts, it could also be expected that leadership at internationalizing Indian companies have played an increasingly larger role in this respect. Hence this study seeks the following:

For the progress aim of the thesis-

Transformation Question 21: Have top leadership at internationalizing Indian companies played an increasingly important role in providing a vision and stretch-goals for their international operations over the last 5 years?
For the strategic analysis aim of the thesis-

Strategy Question 23: Are vision and stretch-goals provided by top leadership to drive international operations a success factor in firm internationalization in India?

And, for the process aim of the thesis-

Process Question 16: What are some of the ways in which top leadership at internationalizing Indian companies is providing vision and stretch-goals to drive international operations?

5.4.2 International experience

Prahalad (1990) describes internationalization as a process that compounds the complexity of all managerial tasks. The managerial complexity arising out of the multinational decision-making environment makes CEO’s with international experience an invaluable asset for many MNCs (Maruca, 1994; Gregersen et al, 1998; Daily, Certo and Dalton, 2000). International experience can provide CEO’s with inimitable knowledge, worldviews and professional ties that could help them manage international operations better (Athanassiou and Nigh, 1999; Maruca, 1994; Lublin, 1996). Dichtl, Koeglmayer and Mueller (1990) found a positive relation between international orientation and export success in a sample of small and medium sized firms in West Germany, Japan, South Africa, South Korea and Finland. One of the indicators for international orientation in these studies was the time spent abroad in work assignments and vacations. Sambharya found that amongst other factors, a higher proportion of managers with international experience in the top management team (TMT) are significantly related to a stronger international presence and posture of an MNC (Sambharya, 1996). While international experience is an obvious characteristic to consider while studying TMT demographics and globalization (Carpenter and Fredrickson, 2001), it is considered to be one of the most broadening of executive backgrounds, complementing and expanding on the other experiences (Reuber and Fischer, 1997; Roth, 1995; Sambharya, 1996 in Carpenter and Fredrickson, 2001). TMTs with a diversity of international members have been seen to be more creative and nimble in strategic problem solving (Dutton and Duncan, 1987); less susceptible to “groupthink” (Bantel and Jackson, 1989); and more likely to overcome domestic myopia (Barkema and Vermeulen, 1998); build trust and perceptions of procedural justice among product and geographic unit managers (Kim and Mauborgne, 1991). More international experience and longer organizational tenure lead to higher international activity, while no such relationship was found for functional background heterogeneity (Peyrefitte, Fadil, and Thomas, 2002). Reuber and Fischer (1997) found that firms with more internationally experienced managers form core international strategic partners and are faster in acquiring foreign sales after start-up; this leading to a greater degree of internationalization.

Indian companies also appear of late to have started inducting management with international experience and even foreign personnel in top positions in the management team (e.g. Jet Airways,
Suzlon) and the board of directors (e.g. Infosys). Many younger members of families owning businesses in India have been educated abroad, especially in the US, thus offering them a more international worldview.

In light of the above discussion, this study proposes:

For the progress aim of the thesis-

Transformation Question 22: Do internationalizing Indian companies have increasing international experience of the top management team and board of directors over the last 5 years?

For the strategic analysis aim of the thesis-

Strategy Question 24: Is the international experience of top management team and board of directors a success factor in firm internationalization in India?

And, for the process aim of the thesis-

Process Question 17: What are some of the ways in which top management team and board of directors bringing international experience to the company?

5.4.3 Graphical representation of elements of organizational leadership

The following figure summarizes the elements of organizational leadership, which will be evaluated in the empirical part of this study.

Figure 10: Elements of leadership

![Leadership Elements Diagram]

Source: Self

The study now moves on the finally part of examining the role of an organization’s culture in its internationalization efforts.

5.5 Organizational culture

Schein (1985) defines organizational culture as “a pattern of basic assumptions – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered valid and, therefore, to be taught to new
members as the correct way to perceive, think and feel in relation to these problems”. Another definition is offered by Denison (1992, p. 2) who defines organizational culture as the “underlying values, beliefs, and principles that serve as a foundation for the organization’s management system as well as the set of management practices and behaviors that both exemplify and reinforce those basic principles”. Organizational culture has also been compared to the “psychology” of the organization (Bartlett and Ghoshal, 1989). Ruigrok and Achtenhagen (1999, p. 523) sum up the notion of organizational culture as:

1. “a set of values, norms, beliefs, meanings, and behaviors (Pettigrew, 1979);

2. at a given point of time (Pettigrew, 1979);

3. that are shared by people in an organization and can be conveyed to new members of the organization (Schein, 1984; Brown and Starkey, 1994);

4. about how people may act and/or improve their performance (Schein, 1984; Van Muijen and Koopman, 1994) or solve problems (Fedor and Werther, 1996; Trompenaars, 1993);

5. that in addition to more formalized systems may serve as an informal coordination and control mechanism, or “glue”, at different levels of the organization (Ouchi, 1980; Pettigrew, 1986; Schein, 1984; Van Muijen, 1994).”

Lado and Wilson (1994) suggest that organizational culture is a rent-yielding strategic resource with the potential to generate sustainable competitive advantage (following Barney, 1986; Schoemaker, 1990; Fiol, 1991). In this view, organizational culture may enhance firm profitability by reducing the uncertainty and ambiguity in strategic decisions and actions (Jones, 1983; Wilkins and Ouchi, 1983). Organizational culture can also reduce the transaction costs associated with managing human resources by creating a broad set of tacit rules and values that serve to unify and regulate the actions of organizational members (Camerer and Vepsalainen, 1988).

Gordon and DiTomaso (1992) suggest that a number of authors have established or supported the hypothesis that successful companies have strong cultures (Deal and Kennedy, 1982; Denison, 1990; Gordon and DiTomaso, 1992; Kilmann, Saxton and Serpal, 1985; Mitroff and Kilmann, 1984; Ouchi and Price, 1978; Pascale, 1985; Peters and Waterman, 1982; Schall, 1982; Schein, 1985; Weick, 1985). Gordon and DiTomaso operationalize “strong culture” along eight dimensions following Gordon and Cummins, (1979) as: Clarity of strategy/shared goals; Systematic decision-making; Integration/communication; Innovation/risk-taking; Accountability; Action orientation; Fairness and rewards; and development and promotion from within.

Cameron and Quinn (2006) meanwhile propose the “adhocracy” culture for organizations of the twenty-first century operating in the hyperturbulent, ever-accelerating conditions. The adhocracy
culture is described as “A dynamic, entrepreneurial, and creative place to work. People stick their necks out and take risks. The leaders are considered to be innovators and risk takers. The glue that holds the organization together is commitment to experimentation and innovation. The emphasis is on being on the leading-edge. The organization’s long-term emphasis is on growth and acquiring new resources. Success means gaining unique and new products or services. Being a product or service leader is important. The organization encourages individual initiative and freedom.” (p. 94).

With this introduction to organizational culture, the present study moves to examining the specific elements of organizational culture and their role in the internationalization process of the firm.

5.5.1 Culture and employee confidence

In the context of internationalization of firms from emerging economies, organizational culture has a potentially important role in driving employees’ confidence to achieve international success. Such confidence could be an asset in overcoming organizational self-doubt in the capability to succeed against better-endowed international competitors. For instance, many firms from emerging economies are at a physical resource disadvantage vis-à-vis their competitors from developed countries (Peng, 2003; Uhlenbruck, 2003). In addition, products and services from emerging economies are associated with a marked “liability of foreignness” (Bartlett and Ghoshal, 2000; Hymer, 1976; Zaheer, 1995). It is in this context that organizational self-confidence can play an important role in driving the organization to leverage existing competencies and achieve results that might otherwise be considered unachievable.

An organization’s self-confidence can be understood to build on the self-confidence and self-efficacy of the people in the organization. Gist and Mitchell (1994) define self-efficacy as “a person's estimate of his or her capacity to orchestrate performance on a specific task”. In their literature review on self-efficacy, the authors found several consistent findings: self-efficacy is associated with work-related performance (Barling and Beattie, 1983; Gist, 1984; Taylor, Locke and Lee), and increase in self-efficacy has been associated with attendant increases in performance (Gist, 1989; Gist, Schwoerer and Rosen, 1989). Some training methods are suggested to enhance self-efficacy, especially in the areas of self-management (Frayne and Latham, 1987), cognitive modeling (Gist, 1989), and behavioral modeling (Gist, Schwoerer, and Rosen, 1989). Pierce, Gardner, Cummings and Dunham (1989) building on the work of Korman (1971) suggests that both the expectations of others and situational conditions play a shaping role in creating organizational self-esteem. Korman (1970) suggests that in mechanistically designed social systems, where procedures, control, hierarchy, and formality are emphasized, people develop low levels of self-esteem. This is because under such conditions employees eventually develop a belief system in line with the apparent basic mistrust or lack of respect for people implicit in highly controlled systems. Other research shows that job characteristics that can lead to higher levels of self-esteem include higher levels of challenge and autonomy in a job.
(Tharenou, 1979) and higher levels of job complexity (Dipboye, Zultowski, Dewhirst and Arvey, 1979; Freedman and Phillips, 1985; Sekaran and Wagner, 1981; Tharenou and Harker, 1982).

In the recent past there have been press reports of greater confidence in corporate India to go overseas and acquire foreign companies. This confidence appears to be driven by increasing competitiveness in operations, access to low-cost capital, openness of financial institutions to finance deals, and the successful experience of past international moves (Financial Times, 2006).

Against this background, the present study proposes:

For the progress aim of the thesis-

Transformation Question 23: Have internationalizing Indian companies seen an increasing confidence amongst their employees in being able to compete successfully with the best in the world over the last 5 years?

For the strategic analysis aim of the thesis-

Strategy Question 25: Is employees' confidence in their ability to compete successfully with the best in the world a success factor in firm internationalization in India?

And, for the process aim of the thesis-

Process Question 18: What are some of the ways in which internationalizing Indian companies are seeing employees' confidence in their ability to compete successfully with the best in the world?

### 5.5.2 Cross-cultural competence

Cross-cultural competence is a potentially important strength when it comes to operating internationally as it can offer the ability to effectively transcend barriers in communicating, understanding and dealing with people from different international backgrounds. Various authors have called for “global”, “transnational” and “geocentric” mindsets towards this end. Definitions of these are provided in the table below:

Table 12: Definitions of “global”, “transnational” and “geocentric” mindsets

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett and Ghoshal (1989, 1990)</td>
<td>Transnational mindset involves “understanding the need for multiple strategic capabilities, viewing problems and opportunities from both local and global perspectives, and a willingness to interact well with others.”</td>
</tr>
</tbody>
</table>
Adler and Bartholomew (1992) | Transnational managers have a global mindset defined by his or her knowledge and appreciation of many cultures and by the ability to move smoothly and expertly within cultures and countries on a daily basis throughout their careers" (as described in Pucik, 2005)

Murtha, Lenway and Bagozzi (1998) | Global mindset refers to "a set of attitudes that predispose individuals to balance competing business, country, and functional priorities which emerge in international management processes, rather than advocate any one of these dimensions at the expense of others"

Pucik (2005) | A manager with a global mindset “understands the need for global integration and local responsiveness and works to optimize this duality. The global mindset includes an appreciation for diversity as well as homogeneity and openness to learning from everywhere”

Source: Self

Ricks et al (1990, p. 220) suggest that international experience provides management with a global skill set by exposing them to different value systems, languages and international environments. Meanwhile, according to Pucik (2005), ways to develop a global mindset include starting with the leadership; management development programs; international mobility for managers; global performance management; supporting cultural diversity; and going beyond cultural stereotypes. Other perspectives on inherent dimensions of such a mindset are presented in the following table:

Table 13: Characteristics of “global”, “transnational” and “geocentric” mindsets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Bigger, broader picture through knowledge - ability to manage competition</td>
<td>1) Openness to and awareness of multiple spheres of meaning and action</td>
<td>1) Personal attributes including values; beliefs and norms; and personality traits like flexibility, perseverance, self-efficacy, etc</td>
</tr>
<tr>
<td>2) Balance of contradictions through conceptualization</td>
<td>2) Complex representation and articulation of cultural and</td>
<td>2) Personal skills including</td>
</tr>
<tr>
<td>ability to manage complexity</td>
<td>strategic dynamics</td>
<td>abilities such as foreign language skills, adapting to behavioral norms and conflict resolution, and aptitudes such as the capacity to acquire additional abilities in a particular skill-set</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3) Process through flexibility - ability to manage adaptability</td>
<td>3) Mediation and integration of ideals and actions that are oriented both to the local and the global</td>
<td>3) Cultural knowledge including general knowledge and specific knowledge (following Hofstede, 2001)</td>
</tr>
<tr>
<td>4) Diverse teamwork and play through sensitivity - ability to manage teams</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) Change as opportunity through judgment - ability to manage uncertainty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) Openness to surprise through reflection - ability to manage team learning</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Self

The Economic Times, one of India’s leading business newspapers, reports that corporate India has started initiatives towards increasing the cross-cultural competence of employees through various training programs and e learning initiatives (Economic Times, 2006a). Given the suggested importance of cross-cultural competence in the firm internationalization context, and reported moves by Indian companies in this direction, the present study seeks the following:

For the progress aim of the thesis-

*Transformation Question 24: Have internationalizing Indian companies seen increasing levels of cross-cultural competence amongst employees in international environments over the last 5 years?*

For the strategic analysis aim of the thesis-

*Strategy Question 26: Is cross-cultural competence of employees a success factor in firm internationalization in India?*

And, for the process aim of the thesis-

*Process Question 19: What are some of the ways in which internationalizing Indian companies are seeing cross-cultural competence of employees in international environments?*
5.5.3 Culture and normative integration

Corporate culture is also suggested to play a role in the normative integration of an internationalizing organization. Bartlett and Ghoshal (1992, p. 483) point to the importance of a clear, shared understanding of the company’s mission and objectives and the visible behavior and public actions of senior management in the context of the multinational company. Similarly, Martinez and Jarillo (1991) state that organizational culture, achieved through a process of socialization helps communicate the way of doing things, decision making style, and the values and objectives of a company (Pfeffer, 1982), and is one of the coordinating mechanisms frequently cited in the international management literature. Ghoshal and Nohria (1989, following Edström and Galbraith, 1977 and Ouchi, 1980) suggest that normative integration is one of the three primary structural elements in a multinational context, along with formalization and centralization.

Ghoshal and Nohria (1989) further suggest that normative integration is positively correlated to environmental complexity. This argument follows from Van Maanen and Schein (1979), who suggested that normative integration leads to domain consensus and shared values, and Ouchi (1980) who suggested that normative integration facilitates cooperation and participative decision-making by pooling the goals of the subsidiary and headquarters into an inclusive and shared goal. Furthermore, in the literature from the field of “ideal type” MNCs described earlier, Hedlund and Kogut (1993) propose that heterarchical MNCs are distinguished by their use of indirect and normative integration by encouraging the internalization of the views, values and strategies that give the organization its identity. Indian companies like Infosys are explicit in stating the positive effect corporate culture and values can have on binding the organizational together across geographies (Annual Report 2008, p. 11).

Given the above-mentioned advantages of organizational culture in creating a unifying and binding effect for international operations, it could be expected that Indian firms would have focused on strengthening the role of organizational culture to this end and hence this study proposes:

For the progress aim of the thesis-

*Transformation Question 25: Have internationalizing Indian companies seen an increasing role of organizational culture and values in creating a unifying and binding effect on international operations over the last 5 years?*

For the strategic analysis aim of the thesis-

*Strategy Question 27: Are organizational culture and values that act as a unifying and binding force on international operations and people a success factor in firm internationalization in India?*

And, for the process aim of the thesis-
Process Question 20: What are some of the ways in which internationalizing Indian companies have an organizational culture and values that act as a unifying and binding force on international operations and people?

5.5.4 Workplace attractiveness

With rising internationalization, Indian companies are increasingly finding it important to be able to attract top international talent, especially for their international operations (Infosys Annual Report 2008, Suzlon Annual Report 2008). Research suggests that the work culture within an organization influences employees’ decisions to work for the company. Kerr and Slocum (1987) suggest that organizational culture values may moderate differences in the retention rates of strong and weak performers. The authors suggest that organizations which have cultures that emphasize values of teamwork, security, and respect for individual members, foster loyalty and long-term commitment to the organization from employees, regardless of their job performance. Other organizations, whose cultures emphasize personal initiative and individual rewards for accomplishing goals, foster an entrepreneurial spirit, in which the organization does not offer long-term security and the employees do not promise loyalty. Weaker performers would soon leave such a culture, and stronger performers would stay. In this light, Schneider (1987) proposes that individuals are attracted to organizations they perceive as having values similar to their own.

Researchers and consultants have devised ways to measure how attractive a workplace is for employees. Every year, the Great Place To Work Institute (www.greatplacetowork.com) devises a ranking of the best workplaces, which is published by Fortune magazine as the “100 Best Companies to Work for in America”. Their research suggests that trust between managers and employees is the primary defining characteristic of the best workplaces. The Institute defines a great workplace as a place where employees "trust the people they work for, have pride in what they do, and enjoy the people they work with" (http://www.greatplacetowork.in/great/index.php). According to the Great Place to Work Institute, great workplaces benefit from the following:

- Receive more qualified job applications for open positions.
- Experience a lower level of turnover.
- Experience reductions in health care costs.
- Enjoy higher levels of customer satisfaction and customer loyalty.
- Foster greater innovation, creativity and risk taking.
- Benefit from higher productivity and profitability.
Key dimensions of a great workplace according to the Institute include:

- **Credibility**, which means that managers regularly communicate with employees about the company's direction and plans - and solicit their ideas.

- **Respect**, which involves providing employees with the equipment, resources, and training they need to do their job.

- **Fairness**, whereby economic success is shared equitably through compensation and benefit programs.

- **Pride**, which relates to the workplace relationships between employees and their jobs/company.

- **Camaraderie**, which relates to the workplace relationships between employees.

Further elaborating on the issue of great workplaces, the Institute suggests that “as companies become great, the division between management and labor fades. The workplace becomes a community. Employees take pride in their job, their team, and their company. They feel that they can be themselves at work. They celebrate the successes of their peers and cooperate with others throughout the organization. People take pleasure in their work - and in the people they work with - in a deep and lasting way. They want to stay around for their careers” (http://www.greatplacetowork.com/great/dimensions.php).

As Indian companies internationalize, it will conceivably become increasingly important for them to be considered as attractive places to work for international employees. Potential benefits from having international employees could include international knowledge that such employees bring; the signaling effect whereby companies can show their commitment to the foreign market by hiring local employees there; overcoming visa restrictions on Indian nationals working abroad; etc. In this light, the present study seeks to examine this last organizational culture element as follows:

For the progress aim of the thesis-

Transformation Question 26: Are internationalizing Indian companies increasingly being considered as sought-after workplaces for international employees over the last 5 years?

For the strategic analysis aim of the thesis-

Strategy Question 28: Is being considered an attractive workplace by international employees a success factor in firm internationalization in India?

And, for the process aim of the thesis-
Process Question 21: What are some of the ways in which internationalizing Indian companies are being considered an attractive workplace by international employees?

5.5.5 Graphical representation of elements of organizational culture

The following figure summarizes the elements of organizational culture, which will be evaluated in the empirical part of this study.

Figure 11: Elements of organizational culture

![Diagram of organizational culture elements]

Source: Self

With this, the present study presents its final model.

5.6 Model and associated questions

Based on the discussion so far, the present study is now able to present the final model of the study (see Figure 12). The model will be the basis for empirical analysis in the following sections.

PART 1 at the top of the Model examines the institutional context and proposes a link between increased openness of the Indian economy to international influences and an increase in the international presence of Indian firms over the last 5 years.

PART 2 meanwhile looks at the organizational context and proposes to examine how Indian firms have responded to key strategic issues as they have increased their international presence over the years 2003-08. These issues are represented by the Strategy Questions (Str. Q. 1-8 and Hypothesis 3). Additionally, this part seeks to examine whether Indian companies have undergone organizational transformation in the context of increased internationalization, and whether there are any performance
implications of this organizational transformation. These issues are represented by Hypotheses 1-2 and Transformation Questions 1-26. The subject of the importance of individual organizational variables in the internationalization context is meanwhile represented by the Strategy Questions (Str. Q. 10-29). Finally, some instances of how this organizational transformation is taking place in Indian companies will be examined with the Process Questions (Pr. Q. 1-21). A complete list of the hypotheses and questions are reproduced in Appendix 1 for the benefit of the reader.
Figure 12: Model of the study

(PART 1) INSTITUTIONAL CONTEXT

Opening up of the Indian economy to international markets

Indian firms increase their international presence over 5-year period

(PART 2) ORGANIZATIONAL CONTEXT

Str. Q. 4: What are aspr. int. levels?
Str. Q. 3: Made in India – Asset or Liability?
Str. Q. 1: How important are int. markets?
Str. Q. 8: Has transformation been driven centrally?

Firms move to more efficient organizational forms in STRUCTURE 2. PROCESSES 3. HR POLICIES 4. LEADERSHIP 5. CULTURE

Extent and performance implications of organizational transformation

Pr. Q 1-21: What are some of the ways firms are moving towards more “efficient” forms?

Str. Q. 2: Which competitive drivers are more important?
Str. Q. 6: Which int. modes are more important?
Str. Q. 5: How are int. operations currently organized?

Hyp. 3: Nature of the int – performance relationship?
Str. Q. 7: Which geographical markets are important?

Str. Q. 9-28: How important is the role of individual organizational variables?

Source: Self
6. Empirical methods

A multi-method empirical research approach combining qualitative and quantitative analysis has been adopted for this study to ensure the availability of both statistically verifiable results and detailed insights into the process of internationalization and organizational transformation in Indian companies. Such an approach combining qualitative and quantitative research has been suggested to provide a richer context for interpreting and validating results, and to lead to a wider coverage of the problem space (Wood, Daly, Miller and Roper, 1999 following Kaplan and Duchon, 1988 and Wynekoop, 1985). Furthermore, it has been suggested by authors such as Brewer and Hunter (1989) that multi-method research helps address shortcomings of single-method research by dealing with research problems with “an arsenal of methods that have non-overlapping weaknesses in addition to their complementary strengths”. A multi-method research methodology was also adopted in the INNFORM research project on organizational design described earlier (Pettigrew et al, 2003) – a project of similar scope to the present one. The primary data collection studies were conducted in the year 2008. The three components of this multi-method research include case studies, survey analysis and regression analysis of secondary data. These are described next.

6.1 Case study methodology

6.1.1 Introduction

In order to understand, in detail, strategic and organizational issues before internationalizing Indian companies, and thus achieve the process and strategic analysis aims of this analysis, the case study methodology was considered ideal. Gilbert, Ruigrok and Wicki (2008) summarize that since case studies are carried out in close interaction with practitioners, they are an ideal method for creating managerially relevant knowledge (following Amabile et al, 2001 and Leonard-Barton, 1990). The authors further suggest that case studies are especially appropriate as a research methodology in the early stages of new management theory when key variables and their relationships are being explored (following Eisenhardt, 1989; Yin, 1994). This makes the case study methodology appropriate in the emerging economy context of the present study.

The approach adopted in this research was multiple case analysis, to ensure more compelling evidence and robustness of the study (Herriott and Firestone, 1983). Using cross-case replication analysis (Yin, 2009), conclusions were drawn and implications developed for the theory and practice. Given that the studies were detailed in the level of analysis, and complementary to the quantitative study on this research, the number of cases chosen was kept down to three.

Following the criteria for validity and reliability summarized by Gilbert et al (2008), internal validity of the analysis was ensured by matching the pattern of the empirical observations with predictions
established from literature review, and via theory triangulation covering international management and organizational design theories. For construct validity, a clear chain of evidence was established, and triangulation was ensured by adopting different data collection strategies like interviews, secondary data, etc. External validity was ensured by adopting a cross case analysis of three leading Indian MNCs. Finally, for the sake of reliability, a comprehensive case study protocol and case study database were created.

6.1.2 Case study administration

The three companies chosen for the case studies are some of the pioneers of the internationalization success story in India. ICICI Bank is one of the largest and the most international Indian financial institutions. Infosys is one of the most visible examples of India’s Information Technology revolution. Finally, Suzlon is one of the world’s largest wind energy companies. All these companies have experienced substantial international growth over the last 5 years. They thus hold the potential for revealing interesting findings on how they are organizationally managing this growth, and possibly serving as best-practice roadmaps for other companies. The limitation however is that findings from these studies might not be equally generalizable to the context of smaller internationalizing companies.

Each case study comprised of interviews with 2-3 top managers associated with the internationalization efforts of the company. These managers were identified in consultation with the contact person at the company, who was typically a high-ranking officer from the HR function. Before the interviews, the contact person was sent in advance a copy of the questionnaire (described in next sub-section 6.2.1 and reproduced in full in Appendix 6). Contact persons were informed that the interview would focus on organizational transformation in their companies. They were also informed that the actual interview would be semi-structured and discussion-based to benefit from the richness of narrative that these managers could bring to the study. Interviews were conducted face-to-face for between 45-60 minutes at the respective companies’ headquarters. Notes were made manually, while the transcripts were written within 24 hours of the interviews to avoid missing important information. In addition to the interviews, the case studies draw significantly on secondary information sources like company annual reports, press releases, as well as media reports. After finalization, the case study drafts were sent to the respective companies for verification of information, after which they were included in the present study.

6.2 Survey methodology

6.2.1 Introduction and questionnaire

The survey method was used to achieve the strategic analysis, progress and performance aims of this study, i.e. to understand the responses of Indian companies to strategic issues, and examine the extent of organizational transformation and its performance implications. The survey methodology has many
advantages. For instance, Rea and Parker (2005) opine that “if the researcher needs personal, self-reported information that is not available elsewhere and if generalizations of findings to a larger population is desired, sample survey research is the most appropriate method...” (p. 4) and “…there is no better method for research than the sample survey process for determining, with a known level of accuracy, detailed and personal information about large populations” (p. 5). Given that the subject of this study is relatively under-researched, especially in the context of Indian firms, there was very little, if any, secondary data available on many of the variables of interest, and hence survey was found to be an ideal methodology.

Mail survey was chosen as the instrument of choice as email contacts of top managers at the sample companies were unavailable, although admittedly sending a postal survey meant significant monetary and time expenses. Also, telephone interviews were out of question because of the large number of companies in the sample, and the difficulty in getting direct contact numbers and time with the top managers of the companies that were the target respondents of the survey.

The questionnaire was designed on the basis of the literature review covered previously in this study, and consisted of 4 sections and 10 questions. Some of the questions comprised of sub-questions. Wherever appropriate, questions were designed for 1-5 Likert-type scale, wherein it was explained for instance that 1 stood for “Very low”, 2 for “Low”, 3 for “Medium”, 4 for “High” and 5 for “Very high”. In some cases, questions had only one possible answer. One question was open-ended. The full questionnaire is presented in the Appendix 6.

The first section consisted of introductory questions based on the “Strategy Questions” developed earlier in this study. Responses were sought on a Likert-type scale of 1-5 described above.

The second section focused primarily on organizational transformation in the companies, and asked respondents to rate how their companies ranked on a range of organizational variables at two time intervals (today and 5 years back). The time-frame of 5 years was chosen to ensure that a sufficiently long period was chosen to capture organizational transformation while ensuring a reliable respondent recall (following Pettigrew and Massini, 2003). The organizational variables were grouped under the following composite categories: structure, processes, HR policies, leadership, and culture. Also in this section, there was an either/or question on the driver of organizational transformation.

The third section asked respondents to rank, based on their experience within their companies, the importance of organizational variables in facilitating internationalization success. As in the first two section, responses were sought on a Likert-type scale of 1-5. This section also had an open question.

In the final section, respondents were asked the remaining “Strategy Questions”.

105
Subjective ratings were used because objective measures for these variables were very difficult to find. A similar methodology was adopted in the INNFORM study (Pettigrew et al, 2003). In order to make the questionnaire easily understood, an attempt was made to frame questions unambiguously and to avoid the use of abbreviations and technical terminology. In addition, an attempt was made to restrict the questionnaire size. Prior testing established that the survey took between 10-15 minutes to fill in – a reasonable amount of time to expect from the targeted surveyees.

Pilot testing of the questionnaire was done by discussing it with the academic guides of the study as well as with an external research scholar. In addition, inputs received from the first case study at Infosys were used to ensure that the language and terminology used in the questionnaire was easily understood by respondents and had practical relevance and significance.

The survey was targeted at larger Indian internationalizing firms, as the internationalization-related strategic and organizational issues covered in this study are more relevant for firms for which internationalization is an important theme (prior literature on the subjects of the present study focuses almost exclusively on larger internationalizing firms and MNCs). Accordingly, it was decided to target the top-1000 Indian firms ranked by levels of foreign income for the financial year 2006-07 (the latest results available at the time of the study). Note: in the Indian context, financial year typically lasts from 1 April to 31 March, while some companies prefer to use 1 January to 31 December as the financial year. Measures of the level of internationalization other than foreign income, such as the level of foreign employees, size of foreign assets, etc could not be considered for selecting the sample companies due to inadequacy of data on these measures. The foreign income figure used in this study included exports and/or as sales of foreign affiliates, and other miscellaneous items such as royalties, dividend and interest incomes received in foreign currencies. This measure was used to ensure that all operational financial inflows from international operations were taken into consideration while selecting the companies.

6.2.2 Database used for this study

The Centre for Monitoring Indian Economy (CMIE) Prowess database was used for identifying the top-1000 Indian internationalizing companies ranked by the level of foreign income. This database is one of India’s most comprehensive corporate databases with information on over 10,000 companies and has been used previously in several peer-reviewed journal studies (Chittoor and Ray, 2007; Chittoor, Sarkar, Ray and Aulakh, 2009; Khanna and Palepu, 2000; etc). CMIE describes the Prowess database as follows: “Prowess is a database of over 10,000 Indian companies. It contains detailed normalised data culled from the audited annual accounts, stock exchanges, company announcements, etc. It has over ten years of time-series and is updated with the latest data on a daily basis” (http://www.cmie.com/database/?service=database-products.htm). Only publicly listed companies were selected for the analysis, as much more data is available for these companies than for unlisted
companies in the Indian context. The top-1000 companies were identified after cleaning up companies for which relevant information was missing and removing firms that were being considered for detailed case studies as part of this study. The latter was done to ensure that there was no repetition of information gathering, and keeping in mind the time limitations of top management of these companies. It was decided to address the questionnaire to the chairpersons/managing directors of these companies to ensure that it would receive the attention of the highest decision-makers, who would also be expected to have an overview of the internationalization process at their companies. Since the part of the CMIE Prowess database available for the present study contained only details of contact persons at the companies, who were not always the chairperson/managing director, the names of the chairperson/managing director were obtained from the site [www.moneycontrol.com](http://www.moneycontrol.com) – a well-known source of corporate information co-owned by the CNBC Network.

### 6.2.2 Survey administration

The questionnaire was first sent by regular post to the list of 1-500 top companies ranked by the level of foreign income. A follow-up mailing was done to non-respondents about 3 months later. Subsequently, another mailing was sent out to companies ranked 501-1000 by foreign income to increase the sample size. In all, there were 79 responses, out of which 2 responses were unusable due to significant missing data and 1 because the company did not have a 5-year track record needed for comparing organizational transformation over this period. While one of the known disadvantages of mail survey is low response rate (Schueren, 2004), the overall response rate of 7.9% is reasonably good given the relatively large size and detailed nature of the questionnaire, and the fact that the questionnaire was supposed to be filled in by the topmost members of the companies’ management teams with understandably busy schedules.

The survey inputs, together with data from the secondary dataset, were analyzed using STATA software. Key analytical methods used include descriptive statistical analysis, T Tests, correlation analysis, and regression analysis (pooled cross-section time-series regression analysis and hierarchical regression analysis).

### 6.2.2 Sample limitations

The mean values of total income and foreign income of the responding companies were significantly different and higher than that of the 1000 companies surveyed (following T Test analysis). The corresponding values of total income for the surveyed and responding companies were Rs. 16,896 million and Rs. 44,761 million respectively. Meanwhile, the corresponding values of foreign income for the surveyed and responding companies were Rs. 3,130 million and Rs. 14,038 million respectively. The differences in the means for foreign income were significant at the 0.1% level, while the differences in the means for the total income were significant at the 5% level. This suggests that on an average, larger firms responded to the questionnaire. However, T Test analysis also suggests that
there was no statistically significant difference in organizational transformation in the composite organizational variable categories, i.e. structure, processes, HR policies, leadership and culture between the top 50% and bottom 50% of the responding companies. That is, there was no response bias for size.

6.3 Secondary data regression analysis methodology

As a third part of the research methodology, secondary data analysis was used to examine the effect of the level of internationalization on organizational performance, i.e the degree of internationalization (DOI) – performance relationship (Hypothesis 3 of this study described in Section 8.13).

In order to test this relationship, pooled cross-section time-series regression analysis was used as the method of choice. This methodology has been used previously by authors such as Contractor, Kundu and Hsu (2003), Ruigrok, Ammann and Wagner (2007) and others.

The database used was CMIE Prowess, the same database used in the survey methodology described earlier. Firms that had foreign income of at least Indian Rupees 100 million (approximately USD 2 million at an exchange rate of 50 Indian Rupees per USD) in the financial year 2007-08 were chosen for the study. This was done to ensure that only those companies, which had a significant international component in absolute terms in their total operations, were chosen. The total initial number of such companies was 1214.

The detailed methodology is presented in Section 8.13 together with the complete analysis and hence not repeated here. Again as elaborated above, the foreign income figure used in this study included exports and/or as sales of foreign affiliates, and other miscellaneous items such as royalties, dividend and interest incomes received in foreign currencies.
7. Case Studies

7.1 Infosys Technologies

The present case study explores organizational design at Infosys Technologies Limited (Infosys) – one of the pioneers of the Information Technology revolution in India. The study, based on a campus visit at the Infosys headquarters in Bangalore (India), interviews with managers including with a co-founder of the company, and extensive secondary data analysis, suggests that Infosys has strived for and largely succeeded in achieving high standards of organizational excellence across the parameters studied – structure, processes, HR policies, leadership and culture. Since its beginnings in 1981, Infosys has emerged as one of the most visible and successful international companies founded in India. Internationalizing organizations from other emerging economies stand to benefit from studying how Infosys has risen to be a leading Indian multinational corporation aided by its organizational skills.

Introduction

Infosys is considered one of the pioneers of India’s Information Technology (IT) revolution. The company had humble beginnings – it was started in 1981 by seven people with US$ 250 in capital (Infosys Website – About Us). By FY 2008 the company had grown into a USD 4 bn corporation with over 91,000 employees from 70 nationalities working across 26 countries (Annual Report 2008, pp. 5-13). Over these years, the company has progressed rapidly along the value curve to providing high-end consulting and IT infrastructure services to leading multinational and Fortune 500 companies. Customer quality satisfaction is evidenced by the 97% in revenues that come from repeat customers (Annual Report 2008, p. 14).

Overseas operations are important to Infosys with 98.6% of revenues coming from outside India (Annual Report 2008, p. 53). Of these international revenues, 63.1% come from the USA, 26.9% from Europe and 8.6% from the rest of the world (Annual Report 2008, p. 22).

Financial growth over the last few years is presented in the following table (Annual Report 2008, p. 128):
Table 14: Financial performance at Infosys

<table>
<thead>
<tr>
<th>Infosys Financials</th>
<th>Total Income in Rs. Bn</th>
<th>Profit after Tax in Rs. Bn</th>
<th>Earnings per Share in Rs.</th>
<th>Net Profit Margin %</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2004</td>
<td>47.61</td>
<td>12.43</td>
<td>23.43</td>
<td>26.10</td>
</tr>
<tr>
<td>FY 2008</td>
<td>156.48</td>
<td>44.70</td>
<td>78.24</td>
<td>28.60</td>
</tr>
</tbody>
</table>

Source: Self

Early challenges

International management literature suggests that internationalizing companies face challenges when entering new markets, where they are relatively unknown and have to adjust to newer ways of doing things. This phenomenon is referred to as the “liability of newness” or “liability of foreignness” (suggested by Hymer, 1976; Zaheer, 1995; Bartlett and Ghoshal, 2000). The Indian IT industry and Infosys had to face these challenges in the early years. In an interview with the McKinsey Quarterly (2003), company founder Mr. Narayana Murthy pointed out that in the initial years when they visited Chief Information Officers (CIOs) of western companies, there existed a big gap in the perception of Indian companies in the West, and Indian companies’ assessments of their own strengths. To overcome this, a large campaign was mounted by the Indian industry association – the National Association of Software and Service Companies (NASSCOM), individual companies, and the government of India. The aim of the campaign was to enhance awareness amongst prospective Western clients of the value proposition offered by the Indian IT sector in catering to the tremendous shortfall of IT professionals in Western companies. These early efforts bore fruit according to Murthy and led to the tremendous growth of the Indian IT sector and to the trend towards outsourcing of services to India.

Operations

Infosys describes itself as a company that “defines, designs and delivers technology-enabled business solutions that help Global 2000 companies win in a Flat World” (Infosys Website – About Us).

Since Infosys provides mission-critical IT services that help some of the world’s largest companies to increase their operational efficiency, one can assume that it is important for Infosys itself to be at the cutting edge of operational and organizational excellence. Our study of the company suggests that Infosys makes a company-wide effort at increasing organizational excellence.

This comprehensive approach is summed up in the words of Mr. K Dinesh, co-founder and member of the Board at Infosys (Interview), who suggests that “organizations need to have a soul and take a holistic approach towards people, process and technology, supported by the organizational structure,
and moving towards the common purpose”. In a similar vein, Ms. Sharmishtha Adhya (HR Delivery Manager at Infosys - Interview) suggests that organizational skills can be a very big advantage when it comes to international success, since costs have become a level-playing field not only amongst Indian companies, but also in reference to companies in China, Eastern Europe, etc. In such a scenario, organizational design that promotes high performance is a key competitive driver. According to Ms. Adhya, Infosys has made rapid strides in this area in the last 5-7 years.

Individual areas studied in reference to organizational design are presented next:

**Structure**

Baliga and Jaeger (1984) suggest that high centralization causes information overload at the top, hinders an organization’s ability to respond to local conditions, and results in de-motivation at lower levels of the hierarchy. Mr. Dinesh suggests that Infosys is becoming an increasingly flat organization and has reduced number of layers down from about 14 in 2001 to 6-7 today. Simultaneously it is more decentralized than before with human resources policies devolved to unit levels, and unit-level empowerment on budgets, plans, etc. The company’s website also suggests that Infosys is a “place where there is a minimal hierarchy” (Infosys Career Website). Reinforcing this view, Garud et al (2006) found in a 4-year long longitudinal study of Infosys, that as the company grew in the 1990’s, senior managers within the company decentralized decision making, combining this with an effort to create and inculcate a culture to ensure that people would make decisions responsibly. Values that were encouraged included sharing, creating an “informed consensus” through finding binding aspects between differing positions, challenging and debating issues, etc.

Garud et al further suggest that at Infosys a high degree of professionalization is ensured because most employees are engineering graduates along with a smaller number of business graduates. Employees also undergo training in technical skills, as well as soft skills and leadership skills through informal and formal methods including certification courses, online degrees, etc. This professionalization ensures that Infosys can allow its employees a certain degree of entrepreneurial freedom to take calculated risks. The decision-making autonomy however exists within the boundaries of Infosys’ well-developed process architecture that ensures high reliability and quality, according to Garud et al. This balance between formalization and professionalization has been suggested to be important in the organizational context by Fredrickson (1986).

Garud et al also suggest that starting with the 90’s Infosys moved from functional to cross-functional project teams, and the teams organized themselves into overlapping modules, which ran in parallel. Each module had the competencies to complete one aspect of the complex project, and also had the general knowledge of the tasks performed by the other modules. The approach was focused on repeated prototyping and piloting and the company took small steps in different directions before taking big leaps.
Effective November 2007 the company restructured its operations (Annual Report 2008, pp. 23-24). Highlights of this reorganization include the creation of six vertical Industry Business Units (IBUs) and five Horizontal Business Units (HBUs) that cut across all verticals; a New Growth Engines (NGE) unit formed to expand business in Australia, China, Japan, the Middle East, Canada, South America and Latin America; and a separate India Business Unit formed to focus on India and tap into the growing Indian market.

**Processes**

Quality management has been suggested in the literature to lead to competitive advantage (Douglas and Judge, 2001). According to the Infosys 2008 Director’s Report (part of the Annual Report), the company benchmarks its processes against world-class standards and models such as ISO 9001-TickIT, SEI-CMM / CMMI, ISO 20000, ISO 27000, AS 9100, TL 9000 and ISO 14001. Further, the company makes use of quality initiatives such as IPM+ (an integrated project management suite to improve project and program management), BrITe (Business results impact @ Infosys Technologies – an innovative blend of IT-specific Lean principles approach including Statistical techniques like in SIX SIGMA), iSOP (Infosys Scaling Outstanding Performance – to evaluate and identify improvements in units that are using the Baldridge Model), and the PRIMA awards (a quarterly recognition program for execution excellence) (Annual Report 2008, p. 23).

One important process initiative at Infosys is the Software Engineering and Technology Labs (SETLabs) which focuses on three aspects: targeted research to address business problems; Centers of Excellence in specific areas; and a co-creation partnership process with customers. The company’s Knowledge Management (KM) Program provides employees with a database that enables learning and creation and sharing of knowledge assets, discussion forums, and networking through blogs and wikis (Annual Report 2008, p. 7). Initiatives like these are suggested in the academic literature to foster horizontal communication and knowledge sharing (Galbraith, Lawler and Associates, 1993).

Company Chairman Narayana Murthy (McKinsey, 2003) suggests that the company’s Global Delivery Model (GDM) has been one of its important strengths. In this model, large-scale software development projects are divided into two categories: The first part involves those tasks that must be done close to the customer including defining the project with the client and helping the client install and use the software once it is developed. The second part involves those activities that can be done remotely in high-talent and lower cost countries like India and include detailed function-design tasks, detailed technical design, database design, programming, testing, creating documentation, and long-term maintenance services. Infosys has developed processes which seamlessly integrate the customer side and development side of the activities. One additional benefit of the GDM is faster time to the market, with a longer working day of about 18 hours available to teams as they work in different time zones. The result of this model is that Infosys has a record of completing 95% of projects on time and over
90% within budget compared to the industry standard, which is completing 60% of projects on time and less than 60% within budget, according to an ISBSG R10 report.

On the topic of global branding, USA Today described Infosys as India’s most admired and best-known global brand. BusinessWeek and Boston Consulting Group in their 2006 report of the “World’s most innovative companies” placed Infosys at No. 10 in Asia and No. 32 in the world (Annual Report 2008, p. 7). Infosys raises its international visibility through its partnership and sponsorship of the World Economic Forum as well as sponsorship of events such as Sapphire and Oracle Open World (Annual Report 2008, p. 24).

On the innovation side, the company has 119 patent pending applications in the USA and India and has been granted 2 patents by the United States Patent and Trademark Office (Annual Report 2008, p. 7).

On the issue of employee enterprise, Barringer and Bluedorn (1999) suggest that variables that foster entrepreneurship in organizations include opportunity recognition; organizational flexibility; and the organization’s ability to measure, encourage and reward risk taking behavior. Mr. Dinesh explains that Infosys is developing 400 leaders across the organization within the age-range of 30-40 years. These leaders are given substantial autonomy to drive the company forward. Initiatives to encourage ideas include Voice of Youth, where employees below 30 years of age are embedded in the executive council and present ideas at strategy planning sessions, thus ensuring cross-pollination of plans and top-down as well as bottom-up strategy formulation. Sharmishta Adhya adds that at Infosys, it is ok for employees to experiment, make mistakes, and learn from them without fear of this immediately affecting their performance reviews. Periodic appraisal ensures that there is learning from mistakes.

**Human Resources**

Academic research has pointed to the importance of people or human resources as one of the most important organizational competitive advantages (Agrawal, 1999; Collins and Clark, 2003; Hatch and Dyer, 2004). Our study of the company underscores the fact that Infosys values its people. In the words of Mr. Narayana Murthy “Our core corporate assets walk out every evening. It is our duty to make sure that these assets return the next morning, mentally and physically enthusiastic and energetic” (Annual Report 2008, p. 1). T.V. Mohandas Pai, Director of the company overseeing HR further quips in that “there is tremendous competition for talent in India. We need to continuously demonstrate that Infosys is the place to be, to make a career and develop one’s capabilities” (Annual Report 2008, p. 5).

Infosys employed more than 91,000 people from 70 nationalities across 26 countries as on 31 March 2008 (Annual Report 2008, p. 5). In FY 2008 over 880,000 people in total applied with Infosys for employment and the company hired net over 13,000 employees (Annual Report 2008, p. 26). This
process entailed testing over 220,000 applicants and more than 97,000 interviews (Annual Report 2008, p. 63).

The company has defined processes for targeting each aspect of the HR value chain (Annual Report 2008, pp. 3-5). One initiative at the early stage of connecting with potential employees is Campus Connect – an industry-academia partnership program, which covers more than 490 engineering colleges in India and abroad, and aims at keeping faculty and students up to date with the latest trends and best practices in the IT industry. Infosys also has one of the largest campus hiring programs in India covering 1079 colleges, where 117,303 appeared for tests, 26,235 were interviewed and 18,146 were given job offers in fiscal 2008. InStep, the global internship program, offers international students the opportunity to work on live technical and business projects at Infosys. The Global Talent Program (GTP) meanwhile recruits graduates at leading universities worldwide. HR Magazine (2006) reports that these graduates are offered intensive training at the Global Education Centre (GEC) in Mysore for a period of around six months, which includes technical skills, an exposure to Indian culture and understanding the Infosys way of doing things. New recruits from India meanwhile undergo an intensive 14-week foundation program at the GEC. The GEC is able to house 13,500 trainees at a time, and is able to provide facilities required for the training of approximately 20,000 – 25,000 employees annually, according to latest figures provided by Infosys, making it one of the largest corporate universities worldwide.

Arindam Ghosh (HR Manager – Interview) suggests that together with the necessary technical skills, one key selection criteria at Infosys is “learnability”. Garud et al (2006) describe learnability as an individual’s ability to derive generic lessons from specific situations and apply those lessons to unstructured problems.

Infosys has several programs for the ongoing training and skill-upgradation of its employees. The Education and Research (E&R) function offers 178 courses year-round, of which 91 are instructor-led and 87 are e-learning programs. The Infosys Leadership Institute offers 16 instructor-led training programs and 59 e-learning programs. In FY 2008, employees spent 651,448 training person-days in learning, and more than 27,000 employees were awarded technical certifications (Annual Report 2008, p. 7). Recognizing these efforts, in 2007 the American Society for Training and Development awarded Infosys with the BEST award in recognition of its efforts to “Build talent, Enterprise-wide, Supported by the organization’s leaders while fostering a Thorough learning culture” (Annual Report 2008, p. 6).

Infosys’ appraisal and reward system is based, according to Mr. Arindam Ghosh, on performance evaluation of tasks performed, competency requirements, task outcomes, billability of employee, as well as appraisal from managers as an outcome of discussion with the employee. One of the factors considered in the appraisal is customer feedback on projects. There is also a 360 degree evaluation of higher-level managers, but this is primarily for self-evaluation and does not have a bearing on financial
reimbursements. The company has a policy of recognizing and celebrating big and small wins through Spot Awards at the project level, Reward and Recognition Programs at the business unit level, and Awards for Excellence at the organization level (Annual Report 2008, p. 11). Awards of Excellence winners are prominently displayed in the company’s annual report.

The voice of employees meanwhile, finds an outlet through media such as the Litmus Survey according to Ms. Adhya. The survey, in which employees are asked about their satisfaction on a number of organizational issues including diversity, work conditions, resource availability, etc, is filled in by 60-70% of employees. Results are analyzed and actions taken thereupon both at the corporate level as well as at a decentralized level.

Overall, Infosys seems to invest a lot of resources on creating a positive experience for its employees. The company’s headquarters in Bangalore has facilities that match or exceed those of any five-star hotel, with a number of eating places, recreation facilities, gyms, sports facilities, etc.

Arindam Ghosh feels that it is important for Infosys to make itself attractive for international employees, both to increase the diversity of its workforce, as well as to overcome visa restrictions on sending Indian employees abroad. According to Ghosh, one of the key attractions of working with Infosys for international employees is the “India story”, whereby a stint in India is increasingly being considered an advantage. Another strength appears to be Infosys’ excellent brand image in the sector. Commenting on Infosys’ Global Training Program (GTP), HR Magazine suggests that some of the challenges the company had to face include convincing the recruits to go to India for six months, demystifying India, organizing the global logistics, and accommodating multicultural needs.

Infosys has received several awards for its efforts at creating a high-quality HR environment. The company received the 2007 Optimas Award by Workforce Management in the Global Outlook category in acknowledgement of its “focus on talent and the ability to attract, engage and retain the best people in the face of ever-increasing competition” (Annual Report 2008, p. 10). Other awards in FY 2008 include the New Age Employer of Choice in a poll conducted by CNBC-TV18, CNBC Awaaaz, and Moneycontrol.com; Fortune’s Top 10 Companies for Leaders; and others (Annual Report 2008, p. 24).

Leadership

Infosys seems to have internalized many of the best-practices in leadership and governance suggested in the internationalization literature on the subject (Dutton and Duncan, 1987; Bantel and Jackson, 1989; Kim and Mauborgne, 1991; Roth, 1995; Sambharya, 1996; Reuber and Fischer, 1997; Barkema and Vermeulen, 1998; Carpenter and Fredrickson, 2001).
According to Mr. Dinesh, when Infosys was started in 1981, the founders agreed that their aim would be to create a world-class company and there would be no limit to their dreams. Infosys is today one of the most respected companies in India when it comes to the quality of its leadership and corporate governance practices. Top Indian rating agency CRISIL awarded Infosys the ‘CRISIL GVC Level 1 rating’ indicating Infosys’ capability to create wealth for all its stakeholders while adopting sound corporate governance practices. Another leading Indian rating agency ICRA assigned Infosys the ‘CGR 1’ rating – its highest. Awards that Infosys has won for corporate governance include Award for Best Investor Relations by an APAC company in the US market at IR Magazine US Awards 2008, and Best Investor Relations Website and Company with Best Corporate Governance Policies in Investor Relations (IR) Global Rankings 2008 in APAC countries (Annual Report 2008, p. 24).

The company’s current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board. As on 31 March 2008, the Board consisted of 15 members, 6 of whom were executive or full-time directors, 1 was non-executive and 8 were independent members. According to the company’s Annual Report, board members are expected to possess the expertise, skills and experience required to manage and guide a high-growth, high-technology, software company with revenues primarily coming from G7 countries; be between 40 and 60 years of age; and have expertise in strategy, technology, finance, quality and human resources. Independent members comprise international experts in their respective fields and bring international experience, expertise and networks to the company (Annual Report 2008, pp. 107-109).

Company founder and Chairman of the Board Narayana Murthy is an internationally-known corporate leader. The Economist ranked him 8th on its list of the 15 most admired global leaders in 2005. In 2008, the Indian government awarded him the Padma Vibhushan – its second highest civilian honor, while the same year the French government awarded him the Officer of the Legion of Honor. Mr. Murthy acts as IT advisor to several Asian countries and serves as independent director on the boards of several global companies and is member of the advisory boards and councils of several leading international educational institutions (Infosys Website – Management Profiles).

Leading organizational researchers including Argyris (1999), and Senge and co-authors (1994) have underscored the importance of a democratic and inclusive approach to organizational governance. Infosys seems to follow this approach in taking a collective approach to leadership. According to Murthy, while the CEO is an emperor in US companies, at Infosys the CEO is more like the Chief Justice – presiding over arguments and casting a vote only when necessary. At Infosys a council of eight top executives discuss all major decisions – since all eight are rarely in Bangalore at the same time, discussions take the form of short email exchanges where each member weighs in with a yes or no decision, with a line or two on the reasoning behind the opinion. In this, the executives take advantage of the fact that they know each other so well, and decisions are made based on data (Time, 2007b).
In addition to leadership at the Board level, the company is developing some 400 leaders who will lead the company’s strategic initiatives in the coming years (Rediff, 2006b). These leaders undergo a three-year “leadership journey” which includes training, a personal development program, interaction with other participants, understanding the company better and resolving real business issues. Fortune magazine listed Infosys among the Top 10 Companies for Leaders in 2007 for developing leaders in a global economy (Annual Report 2008, p. 8).

Culture

Gordon and DiTomaso (1992) operationalize “strong culture” along eight dimensions: clarity of strategy/shared goals, systematic decision-making, integration/communication, innovation/risk-taking, accountability, action orientation, fairness and rewards, and development and promotion from within. At Infosys, cultural and value aspects of organization seem to be highly valued. The company’s Annual Report 2008 suggests that Infosys believes that its strong value system fosters trust and confidence among its stakeholders, unites the organization and strikes an emotional chord with Infoscions across roles and geographies. The following quote by Narayana Murthy sums it up best according to Infosys: “Corporations must integrate their value systems into their recruitment programs. They must mandate compliance with the value system as a key requirement from each potential employee. They must ensure that every employee owns responsibility for accountability and ethics in every transaction. Corporations must publicly recognize internal role models for ethical behavior” (Annual Report 2008, p. 11).

In an interview, Mr. Murthy describes the company’s value system as defined by “customer focus, integrity and transparency, fairness, and excellence in execution”. Murthy further suggests that his dream for Infosys is “I want it to be a place where people of different races, nationalities, religions and genders work in an environment of intense competition but with utmost courtesy and dignity. I'd like to see more women leaders in the corporation. About 27 per cent of last year's entrants were women, but we need to include 45 per cent women in senior leadership. I'd like Infosys to attract the best talent from all cultures and enable them all to ‘follow their bliss’ as Joseph Campbell said” (The Hindu Business Line, 2006).

In another interview, Mr. Murthy suggests that there are five elements of success that would be relevant to Infosys in the coming years (Rediff, 2006a):

- Openness to learn: Openness to subordinate your ego to take ideas from others
- Meritocracy: The best ideas are adopted and implemented using data to arrive at the best decision
- Speed: Assuring you do things faster compared to yesterday and last quarter
• Imagination: You continually bring better ideas and better innovation to the table

• Excellence in execution: That is implementation of these great ideas with a higher level of excellence today than yesterday

Mr. Dinesh offers an interesting explanation regarding the company’s philosophy towards cross-cultural integration by suggesting that all human beings are born with a purpose, i.e. to serve others and thus to also serve the customer. There may be different ways of doing this in different cultures, but if these differences are valued and service to the customer is the key, then this acts as a strong integrating force within the organization.

Sharmishta Adhya quips that at Infosys employees are encouraged to speak-up and express their viewpoints. Infosys has an electronic bulletin board where people can “crib” without fear of victimization. Other means of increasing the involvement of employees in the company’s future are quarterly town-hall meetings, and unit level “all hands meet” events. Generally, there is a feeling of fairness and transparency, and politics is missing according to Adhya, and Infosys works at assimilating and imbibing people into the organization. Adhya further adds that employees have confidence in their areas of expertise and that while Infosys employees are well-known for their “holistic personalities” and “professionalization”, the company is increasing its skills in value-added areas like consulting.

The present study of the company, including visit to the company’s headquarters in Bangalore and interactions with staff members at various levels reinforces the impression that values such as purposefulness, order, and respect for the individual are ingrained in Infoscions.

**Discussion**

The elements of organizational excellence at Infosys, in the context of its internationalization process, are categorized as in Figure 13 below.
Some of the key highlights of this organizational excellence include:

1. A decentralized and professional organizational structure, which fosters formal and informal communication with the adept use of technology and human relations

2. Process-orientation which stresses operational excellence, world-class quality, innovation, international brand-creation, and employee empowerment

3. Well-designed HR policies covering employee selection, training and development. Appraisal and reward systems that foster performance and suggest equity

4. Leadership within India in corporate governance standards, and a Board and top management team representing some of the leading international experts in their fields

5. An organizational culture which makes Infosys one of the most sought-after companies to work for in India

While the company has experienced stellar success in the last years as described earlier, future challenges the company might have to face include making a further shift to higher value-added areas such as consulting, and emerging as a stronger and more integrated partner of large international companies. To do so the company would have to further globalize its organization and become a more recognizable brand amongst customers, and especially with international employees. It would be interesting to see if Infosys would have to make subtle adaptations in its organizational culture as it internationalizes. For instance individuals from many western countries are more individualistic than those from India (Hofstede, 2001) – this means that as Infosys becomes more international, it might
have to make changes in the way it approaches issues such as decision-making, consensus-formation, etc to better suit the expectations and aspirations of a more international workforce. Additionally, Infosys could explore the further use of policies such as 360-degree evaluation at all hierarchical levels, to foster team-accountability and feedback, as the organization grows in the coming years.

7.2 ICICI Bank

ICICI Bank is an example of a company that has managed to adapt itself to the liberalization and opening-up of the Indian economy by transforming itself into a fast-moving and customer-driven entity. In this process, ICICI Bank has emerged as the 2nd largest Indian bank with the largest international presence. This study, based on interviews with top managers and extensive secondary data analysis, suggests that ICICI Bank’s growth has been driven by strong leadership, customer focus, and strengths in processes and technology.

Introduction

ICICI Bank has been an innovator in the Indian banking industry over the last 5-10 years, as the industry has undergone a transformation from its earlier bureaucratic and inflexible self, to one that offers customers world-class services at a fraction of international prices. Over these years ICICI Bank has emerged as India’s 2nd largest bank behind the State Bank of India with total assets of USD 100 bn on March 31, 2008 and profit after tax of USD 1 bn (Annual Report 2008, p. 64 @ 31 March 2008 exchange rates). One of the key strengths of the Bank is its ability to track and take advantage of changing market trends. For instance, ICICI Bank aligned its strategy very early with the emerging Indian middle class with rapidly rising banking needs, and with India’s fast growing corporate sector with a need for funds to fuel domestic and international aspirations. As on 31 March 2008 the Bank had developed a network of about 1262 branches and more importantly of 3881 Automatic Teller Machines (ATMs) in India (Annual Report 2008, p. 36). With a presence in 18 countries and equity listings on the Bombay Stock Exchange and the National Stock Exchange of India, and American Depositary Receipts (ADRs) listing on New York Stock Exchange, ICICI Bank is one of India’s leading international banks.

Roots

The history of ICICI Bank goes back to 1955, when the parent of ICICI Bank – the Industrial Credit and Investment Corporation of India Ltd. (ICICI) was set up at the initiative of the World Bank, the Government of India and representatives of Indian industry. The aim was to create a development financial institution for providing medium-term and long-term project financing for Indian business. Over the years the company emerged as the major source of foreign currency loans to Indian industry. In 1994, ICICI set up a subsidiary, ICICI Bank (in 2002 ICICI and ICICI Bank were merged through a reverse merger to form the present ICICI Bank). In 1996, ICICI was the first Indian financial
institution to raise Global Depository Receipts (GDRs) and in 1999 ICICI was the first Indian company to list on the NYSE through an issue of American Depository Shares.

Some of the market innovations launched by ICICI Bank over the last few years include: In 2002, the Bank launched its Private Banking Services to serve the needs of the emerging affluent class in India. In 2004, the Bank launched its mobile banking service in India and in the same year launched the Kisan Loan Card (Kisan = farmer) and low-cost ATMs in rural India. The Bank launched 8 to 8 banking wherein all branches would remain open from 8 am to 8 pm Monday to Saturday (a departure from the existing practice of shorter opening timings at Indian banks, and one, which made banking much more convenient for working people). The Bank made inroads in the rural banking sector in 2006 with the launch of biometric-enabled smart cards, which allowed services to be offered on the field in rural areas (see ICICI Bank Website - History).

Financial performance over the last 5 years is presented in the following table (Annual Report 2008, p. 64).

Table 15: Financial performance at ICICI Bank

<table>
<thead>
<tr>
<th>ICICI Financials</th>
<th>Bank Balance sheet size (Assets) in Rs. bn</th>
<th>Profit after tax in Rs. bn</th>
<th>Earnings per share in Rs.</th>
<th>Capital adequacy ratio %</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2003</td>
<td>1,068.12</td>
<td>12.06</td>
<td>19.68</td>
<td>11.1%</td>
</tr>
<tr>
<td>FY 2008</td>
<td>3,997.95</td>
<td>41.58</td>
<td>39.39</td>
<td>14.0%</td>
</tr>
</tbody>
</table>

Source: Self

International expansion

ICICI Bank identified international banking as an important opportunity in 2001 to cater to the cross-border needs of clients by leveraging domestic banking strengths. In 2003, the Bank set up its very first offshore branch in Singapore followed by an office in Dubai, and setting up of the UK and Canada subsidiaries in the same year. This international presence has grown to cover 18 countries. By 2008, the Bank had over 500,000 non-resident Indian (NRI) customers and channeled over 25% of total remittances coming into India (Annual Report 2008, p. 39).

In 2008, then Bank Managing Director and CEO KV Kamath said that overseas business would account for one fourth of its balance sheet in 2008 and the Bank aims to emerge amongst the world’s top ten banks in 5 years (Rediff, 2008a). According to the then Bank MD Chanda Kochhar, while the Bank’s target was to build the global business to 20% of the balance sheet and make it profitable in 5 years, it achieved both goals in 3 years. Kochhar suggests that international banking is estimated to reach USD 90 bn size by 2012 (Outlook Business). In 2007 ICICI Bank played a role in 88% of the
total outbound merger and acquisition deals by Indian companies, while in value terms, the share of ICICI Bank was 65% (Rediff, 2008b).

**Organizational structure**

Structurally, the Bank is divided into the following principal groups: Corporate Centre; Retail Banking; Rural, Micro-banking and Agri-business; Wholesale Banking; International Banking; Global Markets Group; Global Operations and Middle Office; Human Resources Management; Technology Management; Facilities Management and Administration; Organizational Excellence. Out of these, the International Banking Group comprises the Bank’s international business, including operations in overseas markets as well as products and services for non-resident Indians, international trade finance, correspondent banking and wholesale resource mobilization (Annual Report 2008, p. 36).

According to Kamath (Rediff, 2007b), ICICI Bank went through five organizational changes in eight years preceding 2007. There was a lot of resistance in the first year. However, after this initial phase there was a change in attitude and outlook in the way people went about their work. Kamath used a lot of communication and talking to people, setting targets and monitoring results. In the second round of organizational change, the Bank created relationship groups, wherein senior management was invited to discuss how they planned to run their businesses. While managers came with organization charts, Kamath stressed that he wanted to see not charts but what relationships managers would have with whom and the attendant responsibilities. This approach had an effect in increased business and achievement of targets.

Mr. Manish Mishra (Head of Inward Remittances - Interview) suggests that the structure of international operations at ICICI has evolved over the last 5 years. In the early days, the approach was more entrepreneurial, with some of the best people assigned to international positions and reporting to top management. Today, the structure is far more mature, with well-defined policies and standardization of best practices.

Mishra adds that the Bank has a clear centralization/decentralization differentiation when it comes to its international operations. Issues such as policy-setting, strategic business decisions, operational design issues are centralized. Operational issues are centralized wherever they would result in economies of scale. On the other hand, there is decentralization on operational issues such as customer relationships, etc. Decentralization ensures greater flexibility and quicker turnaround time according to Mishra. Decentralization is typically managed by ensuring that resources at local level feed back into central teams so that there is an overall control of decentralized operations.

Mishra adds further that at ICICI Bank personal interactions and horizontal communication are important in the internationalization context, and often differentiate well-run processes from others. There are formal channels for cross-divisional interactions such as the central compliance functions
and the product approval committee, which vets all new products and consists of senior management and functional team members, etc.

**Processes**

Outlook Business (2007) suggests that ICICI Bank’s global operations are driven by an ability to take learnings, models, ideas and innovations from one country and transplant them into another. For instance, the Bank’s direct banking experience was shipped from Canada to the UK and Germany; the lessons from the Middle East – India remittance corridor was applied first to other India-bound remittance channels, and will soon be applied into the global remittance business. According to Outlook Business, an indicator of greater acceptability of its brand internationally is that the Bank has been successful in attracting “white Anglo-Saxon” to its savings accounts in countries like the UK and Germany.

According to Mr. Sudhir Dole, Senior General Manager at ICICI Bank (Interview), what sets ICICI Bank apart from its competitors is its superior ability in identifying early trends, developing strategies to take advantage of these trends, and executing the strategy better than others. Dole further adds that ICICI Bank has always been competing successfully with the international players in India. The confidence is based on old relationships with companies in India. Dole considers ICICI Bank’s relationships as one of the key strengths enabling the Bank to offer the “best of both the worlds” i.e. understanding the needs of the Indian consumer and ability to deliver world-class solutions, including leadership in structuring credits and syndicate loans (in loan syndication, ICICI Bank was No. 1 in India in 2007).

The Bank’s quality and process improvement initiatives are led by the Organizational Excellence Group (OEG) (Annual Report 2008, p. 36). Key focus areas of the OEG are:

- Institutionalize quality across the ICICI Group;
- Work with business units to catalyze improvements;
- Create a culture of quality and continual improvement;
- Build knowledge capability in the domain of quality in business groups;
- Develop and implement quality practices for the Bank;
- Cross-pollinate best practices among group companies; and
- Remain at the cutting edge in our global search for quality practices.
Initiatives at the OEG include Five S, the Process Management Framework, War on Waste (WoW), Lean and Six Sigma (Annual Report 2008, p. 48).

The Bank appears to have been successful in leveraging the use of technology. Rediff (2005) suggests that at ICICI Bank about 70% of the transactions take place through technology (such as ATMs and internet banking) and only 30% at the branches, which is an important competitive advantage, considering that ICICI Bank has only a fraction of the branches that competing public sector banks in India have. A McKinsey Quarterly article reports that the IT initiative at the Bank is managed by a small group of around a dozen people of average age 28, who are overseen by the CEO (The McKinsey Quarterly, 2007). Since the Bank runs its technology for 10% of what it costs other banks, ICICI Bank realized that it could also offer Internet banking in countries like Canada where it operated. By back-ending costs to India, the Bank can save 75 basis points, which it is able to offer to customers in the form of higher interest rates. In its technology strategy for India, the Bank also made a call on exponentially increased usage of ATMs at a time when there were in all 100 ATMs all over India. ATM usage has grown exponentially and they today contribute about 48% of all transactions at ICICI Bank. The ATM network is backed by a three-level redundancy program to ensure reliability.

Fast decision-making appears to be a focus area at the Bank. According to Mr. Kamath (Rediff, 2005), decisions are taken after a lot of analysis, but this is quick analysis. Decisions are made in a matter of days, while detailed worksheets can be available later. Kamath suggests that in the beginning a lot can be deduced from back of the envelope calculations. ICICI Bank also follows the “90-day rule” adopted from Silicon Valley, wherein projects need to be conceptualized, built, tested and brought to the market, all within 90 days.

Manish Mishra suggests that entrepreneurship is a key value at the Bank. There are various media for peoples’ voices to be heard and it is more likely than at most other financial institutions for good ideas to move up according to Mishra. This includes the mentorship program; open-door policy wherever appropriate; as well as the Bank’s intranet platform.

Mishra further adds that customer-friendliness is an important ongoing process at the Bank. Whenever a decision has to be taken to launch a new product, the key question is what the impact on the customer is going to be. Data is gathered from various “touch points” such as branches across geographies to find out what the “pain points” or challenges are for the customers and how to improve on these.

On the learning side, Mishra explains that every business is evaluated on a periodic or annual basis based on feedback from customers regarding satisfaction, what competitors are doing better, etc.

Normative integration of international activities is aided by the values of the Bank as represented through the corporate DNA according to Mishra.
Human Resources

According to Mr. A.Bhattacharya (HR Manager – Interview) a new initiative at the Bank is to hire fresh graduates in international locations, e.g. in South Africa, Singapore, UK, etc. These new hires spend 1 year in different locations in India to acquaint themselves with the Bank operations and are then sent back to their home country to work in the Bank operations there. The “India Story” as well as the opportunity of working with an Indian organization is a key attraction for foreign nationals to work with ICICI Bank. ICICI Bank is further working on the creation of an international brand to make itself inter alia better known to prospective international employees.

Furthermore, in order to develop inhouse talent, the ICICI Group has teamed up with Manipal Universal Learning to create the ICICI Manipal Academy for Banking & Insurance. Other initiatives include the Branch Banking Academy, Wealth Management Academy, and Sales Academy. ICICI Bank has also been a pioneer in India in introducing game-based learning and simulation in banking (Annual Report 2008, p. 42).

On the new employee recruitment front, individual factors that are considered include a customer-first mentality, passion, dynamism, and compliance with conscience (ICICI Bank Careers Website – Selection Process). Tools used include an aptitude test and an occupational personality questionnaire. After recruitment, the Bank encourages cross-movement between investment banking, retail banking and the international banking division to build capability in each of the divisions (ICICI Bank Careers Website - FAQs).

A challenge in the internationalization process appears to be tackling cultural differences in the international operations according to A. Bhattacharya. One of the solutions is to hire people of Indian origin in some countries. The Bank also offers employees tailor-made cross-cultural training before they are to proceed on international assignments. The extent of the training would depend on how familiar or unfamiliar the person is with the new culture.

Bhattacharya adds that overall the Bank has a preference to have locals to take care of the regulatory interface in international locations. Depending on regulatory requirements as well as foreign language requirements, different countries have different mix of locals and Indian nationals. E.g. in Russia, almost 90% of the employees are local Russians. The Bangladesh operations are almost completely run by local Bangladeshis. Key positions in these international locations are however typically staffed by Indian nationals with experience of having worked at the Bank in India. For Indian nationals foreign assignments are offered as a reward for high performance. The company relies both on a formal and informal approach in facilitating the international movement of employees. This includes training programs held periodically in India, reliance on the corporate “DNA” as an integrating mechanism, etc.
International salaries vary according to paying practices in those countries and on the stage of development and profitability of the operations in that market according to Bhattacharya. E.g. in markets like the UK and Canada, where the operations are sufficiently well-established, the Bank offers salaries that are on par with those of competing banks. Overall, performance-based pay applies to all levels in the Bank. Key performance evaluation for the purpose of calculating rewards is done by the direct superior. 360-degree evaluation is used to evaluate employee potential. This includes evaluation of “behavioral” potential.

Overall, the company appears to be working to develop an HR environment that promotes productivity and accountability. According to Kamath, measures used by ICICI Bank to create a performance culture include grading people, wherein the bottom 2 to 3% performers have to leave the company. An innovation used by ICICI Bank (that is perhaps well-suited to the Indian cultural sensitiveness against hire-fire policies) is to “park” employees that are no longer required in a particular position in other locations where they no longer clog the system. Job openings are open positng at the Bank and people can be picked up from anywhere in the organization. The informal culture at the Bank ensures that if some leader is unhappy with a junior moving to another department, he or she can go to the top leadership and a decision on the transfer is made in the best interests of the organization. Compromises are a no-no as Kamath puts it: “Once you start compromising on this issue, I think you are dead, because the organization will not grow. You will not be able to clearly see the final objective, which is that the organization is more important than the individual”. Further, the Bank tries to mix entrepreneurship in a professional context through a process of identification of leaders and empowering them (Rediff 2005).

**Leadership**

The Board of Directors at ICICI Bank consists of top executives of the Bank, leaders of industry from India, international representatives such as Mr. Lakshmi Mittal (CEO of Mittal Arcelor) and Prof. Marti Subrahmanyam (Stern School of Business, NY), as well as representatives of the financial sector of the Government of India (Annual Report 2008, p.6). Kamath was recently ranked Forbes Asia Businessman of the Year 2007 (Forbes, 2007b), and the Economic Times Business Leader of the Year 2007 (Economic Times, 2007). The Economic Times recognized Kamath for “…his ability to identify changing trends way before others in the industry. Second, under his leadership, the group has mastered the art of moving a new line of business from the drawing board to the market in 90 days. Third and most significant is his ability as a dream merchant to sell the ICICI and India story and raise capital in a manner that is audacious in both timing and size”. In the course of our interviews, ICICI Bank’s managers attributed a lot of the Bank’s success to Kamath and his visionary decisions.

Kamath believes that a certain amount of charisma is an important leadership trait – because people like to follow a charismatic leader (Rediff 2005). Diversity within the management is also a very
desirable thing according to Kamath, because this brings in different skill sets. Kamath further suggests that at ICICI Bank, people are encouraged to stretch boundaries: “There must be stretch, stretch and stretch again in any organization”. Kamath adds that he has always trusted his leaders, allowing them to take charge and make mistakes within the boundaries of their responsibilities.

ICICI Bank has been one of the leaders in promoting women to top organizational posts (Fortune, 2006) in the otherwise male-dominated Indian banking industry. According to Fortune, in 2006 three of the five members of the bank's executive board were women, as were 13 of its 40 top managers. The article suggests that Kamath has created a rare business culture free of gender bias, which provides a working environment where women feel comfortable. Chanda Kochhar opines in the article that ICICI gains a lot from its women executives: "It gets the benefits of a different perspective of gender diversity because of the different mix of ways women look at things, not just at numbers but more passionately on the impact on customers and employees." As on the day of writing this case study, Bank MD Mrs. Chanda Kocchar had been selected to be the next Managing Director and CEO of the Bank, effective from 1 May 2009, while Mr. KV Kamath moved on to the position of Chairman of the Bank.

Culture

According to Mr. Manish Mishra, key strengths of the ICICI Bank culture include:

- meritocracy

- greater ability to offer employees entrepreneurial possibilities and opportunities in comparison with local and international competition

- fast career path wherein successful employees have the chance to get a promotion and financial increment every year

- fast business growth which creates opportunities for movement and

- high quality of workforce wherein employees are proud of their colleagues

ICICI Bank’s culture has to be considered in the context of the transformation it has undergone from its earlier roots in government influence to a clearly market-driven organization today. According to Kamath (Rediff, 2007) a consequence of introducing meritocracy in the organization has been that people who realize that they are not adding value to the system leave gracefully and there is greater acceptance of change. Mr. Kamath also suggests that his entire team and he have a bias for action, i.e. if they see an opportunity they do not hesitate.
The corporate environment according to Mishra is one of the reasons that the Bank is able to retain high-performance employees even though the salaries offered are lower compared to international competition. The success that the Bank has achieved in the face of domestic and international competition has further bolstered the confidence of employees at the Bank according to Sudhir Dole.

**Conclusion**

At ICICI Bank international expansion seems to have progressed along a staged-approach (suggested in the academic literature by Uppsala School authors such as Johanson and Wiedersheim-Paul, 1975 and Johanson and Vahlne 1977, 1990). Initial expansion appears to have started in markets with close business and cultural ties with India and a significant presence of people of Indian origin, such as Dubai and Singapore, and then progressed to other distant countries.

The Bank was founded in pre-liberalization times with active participation of the government, but proactively and successfully responded to the demands of a free market economy by means of a strategic redirection and an organizational transformation. In this process, the Bank has emerged successfully in the face of competition from much larger public sector Indian banks and international banks. Some of the key organizational characteristics at the Bank include:

1. An organizational structure that has laid stress on increasing professionalization and cross-organizational and informal communication (for an academic overview of this literature see Perlmutter, 1969; Ghoshal and Westney, 1993)

2. Organizational processes that have characteristics of rapid decision-making, operational efficiency, entrepreneurship, leveraging of technology, innovation and brand-building

3. HR policies emphasizing employee development (see Gomez-Mejia, 1988 for this literature) and a performance-oriented culture

4. Top management team leading with a very visible leadership stance

5. An organizational culture that appears to promote empowerment and a challenge-filled work environment, which has helped employee retention

The coming years will show if ICICI Bank is able to keep alive its spirit of “small yet big company”, i.e. preserve its agility, entrepreneurial management, informal culture and other qualities as it grows to the size of other leading international banks. The recent global financial crisis has affected the Bank, although to a lesser extent than banks in the West. It will be interesting to see how ICICI Bank further integrates itself with the international financial system, while protecting from its volatilities in the coming years.
7.3 Suzlon Energy

This case study examines Suzlon – one of worldwide largest companies in the wind energy space. Based on interviews at the company headquarters in Pune (India) and secondary data analysis, this study reveals an interesting process of transformation at Suzlon from a family-run business to one with an increasingly international management and presence. In the course of this change, the company appears to have become more decentralized, professional and process driven. Company management believes that Suzlon has a lot of resilience – this is a quality it will need in the coming years, as it deals with the challenges of managing its high-trajectory growth path.

Introduction

Suzlon was founded in 1995 by Mr. Tulsi Tanti and his brothers when they were exploring alternative sources of power for their textile business in western India. The unreliable electricity grid was then creating many inconveniences for the business, prompting the family to explore wind energy as an alternative. After the family installed two windmills to power their textile business, Tanti and his brothers envisioned that they could actually make a very profitable business out of generating wind energy. Shifting focus away from textiles, the new foray of Suzlon into wind energy was financed with USD 600,000 put together through the sale of some family assets. Tulsi Tanti and his brothers bought ten turbines from Sudwind, a small German company, assembled a group of former engineering classmates, rented a factory, and hired a German consultant for 90 days to teach them the business. When Sudwind went bust in 1997, the Tantis hired its engineers and created a R&D center in Germany. In 1999, the company started selling its partly homegrown turbines in the Indian market (see Spiegel Online International, 2008; The Wall Street Journal, 2008; Suzlon Website - History).

Following this foray, Suzlon has grown over the last 10 years to become a top-5 wind energy producer worldwide with sales of over USD 3.4 bn in 2008 and a global footprint (Annual Report 2008, Exchange rate as @ 31 March 2008). Mr. Tanti has also emerged as one of the wealthiest men in the world. Forbes magazine estimated his wealth in 2007 to be USD 10 bn (Forbes, 2007a).

Suzlon today

Suzlon has a global market share in the wind-turbine business of about 10.5% (BTM, 2007). The company operates in 21 countries (Annual Report 2008, p. 3) and employs almost 14,000 people from 15 nationalities (Annual Report 2008, p. 11).

The company derived 58% of its revenues in FY 2008 from outside India against 34% the earlier year. The USA accounts for almost 20% of total revenues, while Europe and the rest of the world together account for about 27% of revenues (Annual Report 2008, p. 20).
The company has witnessed rapid growth over the last few years. Key financials statistics are presented in the table below (Annual Report 2008, p. 9).

Table 16: Financial performance at Suzlon

<table>
<thead>
<tr>
<th>Suzlon Financials</th>
<th>Total Income in Rs. Bn</th>
<th>Profit after Tax in Rs. bn</th>
<th>Earnings per Share in Rs.</th>
<th>Net Profit Margin %</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2004</td>
<td>8.74</td>
<td>1.45</td>
<td>1.08</td>
<td>13.79</td>
</tr>
<tr>
<td>FY 2008</td>
<td>139.43</td>
<td>10.30</td>
<td>7.07</td>
<td>7.53</td>
</tr>
</tbody>
</table>

Source: Self

As part of its internationalization strategy, in 2006 the company acquired Hansen Transmissions of Belgium for USD 565 mn (Economic Times, 2006b). Hansen was the world’s second largest gearbox maker and Suzlon expects that the acquisition will give it manufacturing and technology development capability in wind gearboxes, and enable an integrated R&D approach to design more efficient wind turbines (Suzlon Website – History). In May 2007, Suzlon acquired a 33.6% stake in REPower for USD 698 mn (Der Spiegel, 2008). RePower is one of the world’s largest manufacturers of offshore and onshore wind turbines and the acquisition is expected over the years to add to Suzlon’s technological capability, especially in the production of large wind turbines (Moneycontrol.com, 2007).

On the importance of international markets, Mr. Tanti expects about 40% of Suzlon’s future revenues to come from Europe, 20% from the US, 10% each from India and China and the balance from the rest of the world (Businessworld, b).

The study next proceeds to examine some of the organizational characteristics of Suzlon that have helped the company in its rapid international growth over the last few years.

Structure

Suzlon’s global marketing center is located in Amsterdam, Netherlands; the international business headquarters are based out of Aarhus, Denmark; while the Indian operation’s headquarters are in Pune, India (Suzlon Website – Global Footprint).

As on 31 March 2008, Mr. Tulsi Tanti was the Chairman of the Board at Suzlon, while Mr. Toine van Megen, a Dutch national, was the CEO of the wind energy business at the company. In a subsequent reorganization in December 2008, Tulsi Tanti retook direct operational charge of the company’s operations to better deal with the difficult business environment, while Mr. van Megen shifted back to supervisory responsibilities at the Group level (Sify.com, 2008).
Suzlon seems to have been moving towards increased decentralization in the last few years. Mr. V J Rao (Vice President HR) suggests that until a few years back, Suzlon was a promoter-driven company. As a first step towards empowerment and increasing accountability, the promoters created strategic business units (SBUs) and appointed non-promoter heads of the SBUs. This change led to decentralization in the company. Additionally, individual functions got embedded in the SBUs and the whole corporate paradigm shifted to the SBUs. Within the SBUs, there was a matrix structure, with about 70% weight to line manufacturing and about 30% to the functional heads. This led to a need for balance, but since people with existing experience within the company were sent to the SBUs, there was a common understanding of overall priorities, which facilitated the change to the SBU and matrix structure.

According to Rao, the chief executive in Amsterdam is empowered to hire his own team for the international operations. Some functions like CFO and CHRO are located at Amsterdam. The choice of location is decided upon what makes best sense for the business and what makes for the most effective way of working. Each country is responsible for creating its own deployment strategy, team, etc led mainly by respective country heads who could be of any nationality. Overall, according to Rao, promoters have steadily decentralized decision-making autonomy to the global management team. This change to being more international is also changing the company culture to being more diverse. In order to deal more effectively with this transition, the company is working with leading academic centers like the Centre for Creative Leadership. Mr. Prasad Chaporkar (Manager, International Sales - Interview) adds that host-country nationals generally run international subsidiaries of Suzlon in order to integrate better with the local conditions, to leverage local networks, and to facilitate the regulatory interface. Subsidiaries are typically granted a lot of autonomy to facilitate the fast growth the company has been experiencing.

Rao meanwhile suggests that professionalization is increasing at Suzlon. Increased professionalization however requires, according to Rao, that people have to be capable to handle complete responsibilities, and even though there are challenges, Suzlon employees are evolving in that direction. Best-practice standardization meanwhile is achieved through initiatives such as the Suzlon International Management Systems (SIMS) according to Chaporkar.

Chaporkar further adds that horizontal integration and communication within the company’s international operations is ensured through channels such as the Harmony Call between CEO’s of subsidiaries and manufacturing heads of plants, and the integrated planning cell, which takes into consideration needs and requirements of different subsidiaries in overall planning.

**Processes**

Suzlon has been an innovator in offering its customers an end-to-end solution package, which includes infrastructure development and goes all the way to supplying the turbines, thus offering a ready-to-use
wind farm to the customer. Suzlon has also undertaken full backward integration of the supply chain by developing a comprehensive manufacturing capability for all critical components in wind turbines, thus ensuring economies of scale, quality control and assurance of supplies (Suzlon Website – Suzlon Edge). This approach stands in contrast to the more piecemeal approach taken by many of its competitors.

Mr. Tanti explains this concept to Fortune magazine, “Other companies were just equipment vendors…They'd give you the turbine, and that was it. Maintenance? 'Not my problem.' Parts? 'That's someone else.' The way we do it, it's like selling a model home. All the customer has to do is pick the model." Tanti further quips, "We have a business model that's completely counterintuitive...The concepts and design come from the Netherlands, the engineering from Germany, the commercialization from Denmark. And large-scale application comes from India. Only an Indian brain could dream up such a thing". Further commenting on the REPower acquisition, Tanti suggests "I can take a company with a 4% margin and turn it into a company with a 20% margin. They can't...So I knew from the beginning: Whatever they offered, I could pay much more" (Fortune, 2007). V J Rao adds that Suzlon has an orchestrated strategy for process efficiency. The aim is to hire good people and offer them training in skills like Six Sigma, Lean Management, etc. In addition, the company is investing in top talent and strengthening its R&D footprint through a new “Innovation Centre” in Denmark and a “Technology Campus” in Germany. Through the REPower acquisition the company is expected to gain access to cutting-edge R&D capability in the very-large turbine and offshore technology area in the future. Recently, the company also reached across-the-company single ISO 9001 certification, replacing the numerous segment certifications with one unified supply chain.

Suzlon’s international business headquarters are in Denmark, from where the subsidiaries in the USA, Australia, China and Europe are able to benefit from extensive management experience and competencies in wind engineering disciplines, project execution, operations, service and maintenance and financial engineering. Further, the “Renewable Energy Technology Center GmbH” in Hamburg, Germany jointly set up by Suzlon and RePower aims to conduct research on the technical side of turbine generation and also to start an academy offering high-quality technical training and qualification, initially in collaboration with universities. Overall Mr. Rao feels that the company is moving more and more towards a process orientation and this change is going on even at the moment.

The increasing process orientation has meant a certain amount of cultural adjustment according to Rao. For instance, employees would need to move towards fixed yearly calendars, which means they have to plan their calendar and make it open towards colleagues in advance – this has called for better personal planning on the part of individuals. Also, there is increasingly a movement towards an open-door policy.
Finally, on the international visibility front, Suzlon has a high profile advertising campaign with media providers such as CNN – one of the few Indian companies to advertise through the international media.

**Human Resources**

Suzlon employs more than 14,000 people from 15 nationalities (AR 2008, p. 12). According to V J Rao, Suzlon is a very strong financial brand. The challenge lies in making it an “employment brand”. “Green industry” and the company’s growth and success story give the company a strong pull.

But this growth also creates challenges that the company must face. For instance, according to Rao, growth at Suzlon has created a certain amount of ambiguity within the system, necessitating a rethink at the organizational structure and processes. It has become especially important to define roles. In addition, there is a requirement to bring salaries to competitive levels. Another challenge is to create a comprehensive hiring and HR policy. One program adopted by the company to deal with these challenges is a global job evaluation project with the Hay Group, which has been especially important in the internationalization context of the company. Overall, Mr. Rao feels that Suzlon offers a big opportunity for highly qualified people, with above-average challenges and empowerment. However there is a need to strengthen systems and processes.

A related challenge the company has faced is in terms of keeping up its manpower with the rapid growth the company has experienced in the last few years. For instance, with increased decentralization and employee empowerment, the question that arises is whether people have the same amount of passion as top management in taking responsibility and driving growth. In order to deal with the challenges of employee motivation, the company is working on a number of initiatives. Also, in order to prepare its employees for a greater international exposure and skills, Suzlon is teaming up with leading business schools like the Indian Institutes of Management (IIMs) and the Indian School of Business (ISB). Rao is confident though that the company will be able to successfully tackle the challenges of this transformation. According to him, a key strength of the company through this process is its “resilience”, that is an inherent ability to overcome challenges.

Suzlon has a (one time) Employee Stock Option Plan (ESOP) covering all employees. Its other ESOP scheme is based on a formal performance-based assessment process.

Finally, on the issue of international employees, Rao feels that the challenge is one of imbibing a passion for growth required for a company growing at between 40-100 percent annually in employees that come from other international companies with much more stable growth rates. Another challenge before the company is to create a strong talent pipeline. Since wind energy is a relatively sunrise industry, there is a global dearth of talent in the sector. Employees might not want to locate to remote areas where the company’s wind farms are located and which do not have an industry culture. A
problem with sending Indian employees abroad to locations like the USA is in securing visas. The company is actually working with the US embassy to improve the process. Another problem faced by Indian employees going abroad is the different climate, food and language, as many of these employees are staff at the technical level with relatively less previous international exposure according to Rao.

Leadership

After envisioning the future potential for wind energy, Tulsi Tanti and his brothers helped develop a business model offering end-to-end and hassle-free solutions, and worked towards impressing policymakers in India, and companies in India and abroad to go for their wind-energy solutions (Businessworld, b). Suzlon has grown at twice the industry average over the last few years (Suzlon Website – History). Recognizing his efforts and success in the area of fostering renewable energy, Time Magazine voted Mr. Tanti as one of its Heroes of the Environment along with the likes of Al Gore and Michael Gorbachev in 2007 (Time, 2007a).

Like many family-owned businesses in India, leadership at Suzlon has so far been centered around the family patriarch Mr. Tulsi Tanti and the Tanti family. But, recognizing the importance of introducing professional management and people with international experience in the business, the family appears to be moving into the background and focusing on more strategic roles according to Rao. As on 31 March 2008, the company had a Dutch national as its CEO. According to Rao, the Group Executive Council led by the CEO reports to the Group Supervisory Council led by the promoters of the company in order to ensure effective corporate governance. The Board of Directors at Suzlon has a couple of members with several years of international banking experience. There were however no foreign nationals on Suzlon’s Board of Directors as on 31 March 2008.

Culture

V. J. Rao feels that Suzlon’s corporate culture is undergoing a certain transformation as the company internationalizes. For instance, there has been an increasing call for greater transparency in decision-making as the company internationalizes, and international employees are demanding greater empowerment. There is also a need to substitute promoter involvement with process orientation. In order to facilitate this change, the company is conducting programs for leadership development at its Corporate Learning Center.

Over the last few years, Suzlon has been holding the annual “Sumilan” program to align the company’s activities with its vision, wherein the CEO visits different company locations with the aim of getting people and operations together. “Sumilan” also involves recognition of performance and an active engagement of people from different locations.
One of the components of “Sumilan” is a dialogue across functions and geographies called “Samwaad” (Annual Report 2008, p. 12), which can facilitate an ongoing learning and renewal process within the organization. The “Sumilan” program includes the informally-named “Royal Sumilan”, wherein all senior managers of the company are taken along with their spouses to a holiday destination like Malaysia. “Royal Sumilan” is a 3-day program, consisting of 1 day of business and 2 days of recreation. However, with the increased internationalization in the company, programs like “Sumilan” and “Royal Sumilan” which are based on the “paternalistic” Indian way of dealing with employees will need to be adapted to expectations of the global workforce according to Rao. For instance, events like the “Royal Sumilan” hold very different meanings for different people – at a recent event hosting 1200 people, for about 700 (mainly Indian) participants this was their first foreign trip and an experience to be savored, while for the majority of the international employees, this was just another foreign work and pleasure trip. Suzlon has to increasingly deal with cultural intricacies like these as it internationalizes, according to Rao.

**Conclusion**

Suzlon appears to be transforming itself from a family-owned and family-driven business to acquiring qualities of a professionally-run MNC. A part of Suzlon’s success can be attributed to its being in the “right place at the right time”, in terms of the timing of its founding and the sudden international focus on renewable energy. At the same time, Suzlon’s strategy emphasizing aggressive international expansion and organizational transformation might have played a role.

Key features of organizational transformation and excellence at Suzlon include:

1. Decentralization and professionalization in its structure over the last years (see Covin and Slevin, 1989 for an overview of this literature)

2. Investment in international R&D and innovation (see Kimberly, 1981 for innovation literature)

3. A change in focus towards performance-orientation in its HR and compensation policies

4. Increased presence of international managers in its top management team

5. Efforts to emphasize the binding and motivating effects of corporate culture

While Suzlon has achieved been successful in the international environment over the last few years, the fast growth track inevitably means that there will be occasional challenges in managing this growth such as quality issues faced by the company recently. To deal with such challenges, the company will have to work on keeping its current spirit of growth alive while constantly focusing on upgrading its organizational and operational excellence to world standards.
7.4 Case study findings

This case study analysis proceeds in the manner of a cross-case synthesis of the three case studies presented in the previous sub-sections. The analysis is presented in the direct context of the questions of this study wherever possible.

Strategy Question 1: How important are international markets to the future success of Indian companies?

And

Strategy Question 4: What levels of internationalization do Indian companies aspire 5 years from today?

International markets seem to be of significant importance to the future of the companies studied. While international markets contribute over 97% of revenues at Infosys, at ICICI Bank CEO Kamath wants to emerge as a top-10 bank worldwide in the next 5 years, and at Suzlon the Chairman Mr. Tanti expects international revenues to contribute 90% of total revenue in the future.

Strategy Question 2: What is the relative importance of competitive drivers such as low-cost base, superior product and service quality, adequate availability of financial resources, and organizational skills in achieving internationalization success at Indian companies?

In the case of each of the three companies studied, low cost as well as high quality and superior organizational skills appear to be important competitive advantages in the international context.

Infosys leverages on the low-cost advantage offered by India via its Global Development Model (GDM), in which a significant portion of the back-end work for international companies is completed in Infosys offices in India. Suzlon has a major part of its manufacturing operations in India. Meanwhile ICICI Bank leverages its IT platform based in India to reduce costs and forward these cost-savings to customers including international customers in the form of higher interest rates on deposits.

At the same time, all three companies also have strengths in superior product and service quality and organizational skills. Infosys prides itself on the fact that 97% in revenues from repeat customers reflecting customer satisfaction with its products and services. At ICICI Bank, operational excellence is an important focus area which is driven right from the top and implemented through the Operations Excellence Group (OEG). Suzlon meanwhile has important strengths in the areas of product and service innovations, and its entrepreneurial spirit has been one of the driving forces behind its rapid international rise in the last few years.
Strategy Question 3: Is the “Made in India” label more of an asset or a liability in facilitating the international market entry of Indian companies?

The “Made in India” label seems to have been a liability a few years back, but this appears to be changing. For instance, in the case of Infosys and the Indian IT industry, clients in western countries initially were skeptical of the ability of Indian firms to handle mission-critical IT issues for them. To overcome the negative perception associated with an Indian produce, a concerted effort was launched by the industry association NASSCOM, individual companies and the government of India, with the aim of convincing customers in developed economies of the excellent value proposition offered by the Indian IT industry. These efforts bore fruit and today almost 99% of Infosys’ revenues come from outside India and the Indian IT industry is recognized as a worldwide leader in the field. Similarly at Suzlon, about two-thirds of revenues today come from outside India, even though it has practically no international presence a few years back. This points to an increasing acceptance of their products and services in international markets. It must also be added that the increasing number of successful Indian expatriates, especially professionals, in countries such as the USA, UK, the Middle East and Europe, would have a role to play in changing international perceptions of India as a source of high quality human and other talent.

Strategy Question 5: How are the international operations of Indian companies organized, i.e. whether as international division, global geographic structure, global product structure, or mixed structure?

Each company studied followed a different approach on this issue. Infosys has a mixed structure for its international operations. The largest international markets are served through six vertical Industry Business Units (IBUs) and five Horizontal Business Units (HBUs). Additionally, there is a New Growth Engines (NGE) unit formed to expand business in Australia, China, Japan, the Middle East, Canada, South America and Latin America, and a separate India Business Unit formed to focus on India and tap into the growing Indian market. At ICICI Bank the international operations are led by the “International Banking Group”. At Suzlon meanwhile, international subsidiaries take a lead on respective markets, with the Denmark office is the international business headquarters.

Strategy Question 6: What is the relative importance of international market entry modes such as exports, licensing, international joint ventures and foreign direct investment in the internationalization process of Indian firms?

Regarding internationalization modes, the three companies seem to have followed different strategies. In the case of Infosys, exports from India complemented by front-offices in countries where clients are located, seems to be an important mode, which builds on the low-cost leverage of back-ending a majority of the software development work to India. On the other hand, ICICI Bank has expanded internationally by setting up subsidiaries and branches in several international locations where there is
Strategy Question 7: What is the relative importance of different geographical regions including Asia, N. America, S. America, Europe, Australia and Africa to the current international focus of Indian companies?

On the question of geographic focus, Infosys’ first international foray was in the USA and the country remains its most important market currently. This is understandable given the fact that the USA is the global leader in the IT industry and its English language-based IT systems are easier for Infosys to service than those from other language areas. Suzlon’s focus has been on Europe – a continent known for leadership in the renewable energy space. ICICI Bank, meanwhile, seems to be following a policy of expanding into those international markets that have a sizeable presence of people of Indian origin, and those countries with strong business ties with India.

Process Question 1: What are some of the instances where Indian companies have shown characteristics of “ideal MNC” types and “high performance” and “learning” organizations and have generally moved towards more efficient forms of organizing?

The case study analysis suggests that over the last few years, the companies studied seem to have imbibed some of the best practices of “ideal MNC type”, “high performance” and “learning” organizations mentioned in the literature into their organizational design.

Suzlon for instance has complex roles for foreign units – one of the recommended characteristics of the heterarchical MNC (Hedlund and Kogut, 1993). Its global marketing center is located in Amsterdam, Netherlands; the international business headquarters are based out of Aarhus, Denmark; while the Indian operation’s headquarters are in Pune, India. Infosys’ Global Delivery Model (GDM) shows certain characteristics of interdependence of the “ideal type” MNC proposed by Ghoshal and Westney (1993), wherein subunits and headquarters are linked to each other through cross-flows of people, technology and products so that key activities are performed in the location with the locational or organizational advantage. ICICI Bank meanwhile shows characteristics of “high involvement” organizations proposed by Lawler (1993) including managerial practices such as leadership in monitoring the culture; sharing power and information; developing values/philosophy statement and using it; flat and lean structures; etc. Finally, the companies studied have imbibed several of the recommendations for creating “learning” organizations (Argyris, 1999; Peter Senge and co authors, 1994). Instances include the emphasis on data as a basis for decision-making and encouragement of systems thinking at Infosys; encouragement of open dialogue, a learning attitude and building of a shared vision at all three companies; etc. Additionally, the InStep and Campus Connect programs at
Infosys are examples of inculcating a learning culture in the organization right from the time of new employee recruitment.

All three companies studied seem to have adapted their organizational best practices to the Indian context, in a similar light as Pascale and Athos (1982) observed in the case of Japanese company Matsushita. For instance, Infosys places a lot of emphasis on creating a “family-like” environment for its employees – a value especially important in the Indian cultural context. ICICI Bank meanwhile gets around the aversion to hire and fire policies in the Indian context by using the tactic of temporarily “parking” or moving people in other departments if they are clogging the system. Courtesy and humility seem to be values actively promoted at all the three companies studied.

Process Questions 2-21

While organizational transformation is seen across all the organizational variables examined in the three companies studied, each company has laid differing degrees of emphasis on the individual elements of organizational design. For instance, high process efficiency appears to be a key focus area for Infosys, along with an emphasis on creating a high quality HR and work environment. Suzlon has made rapid strides in organizational decentralization and internationalization of operations, and its international success appears to have been partly due to innovation in its business model of offering end-to-end solutions to customers. ICICI Bank meanwhile has been led from the front by its visionary leadership that has empowered employees across the organization to achieve extraordinary results.

Details on some of the ways in which the three companies are organized (answers to Process Questions 2-21) are presented next.

Table 17: Organizational transformation at case study companies

<table>
<thead>
<tr>
<th>Question</th>
<th>Issue</th>
<th>Transformation Instances</th>
</tr>
</thead>
</table>
| 2        | Centralization/Decentralization | 1. ICICI Bank: Strategic issues centralized; operational issues decentralized where they offer economies of scale  
2. Infosys: Hierarchical levels brought down from 14 to 6-7 over 2001-07. Decentralization balanced by organizational values stressing responsible decision-making  
3. Suzlon: Decentralization effected by promoters by forming SBUs and increasing independence of subsidiaries |
<p>| 3        | Best                           | 1. ICICI Bank: Professionals like MBAs, chartered accountants etc running                |
| Practices/Professionalization | Various departments. Simultaneous increase in defined policies and best-practice standardization |
| 2. Infosys: Technical and business graduates ensure high professionalization, but professional autonomy balanced by well-developed process architecture |
| 3. Suzlon: High professional autonomy essential to ensure high growth rates at Suzlon but the company recognizes the importance of responsibility in this decision-making. Best practices ensured through Suzlon International Management Systems |
| 4 Horizontal integration | 1. ICICI Bank: Examples include the central compliance function, and the product approval committee which vets all new products and consists of senior management and functional team members |
| 2. Infosys: Starting from the 90’s Infosys moved from functional to cross-functional project teams with teams organizing themselves into overlapping modules which ran in parallel |
| 3. Suzlon: Examples include the Harmony call between CEOs of subsidiaries and manufacturing heads of plants; and the integrated planning cell |
| 5 Technological and operational competence | 1. ICICI Bank: Leveraging of IT platform to reduce operating costs; importance accorded to the Operational Excellence Group (OEG) |
| 3. Suzlon: “End-to-end” solutions philosophy; use of Six Sigma, Lean, etc |
| 6 “World class” product and service quality | 1. ICICI Bank: Emerging as a leader in remittance businesses internationally with clients of Indian origin |
| 2. Infosys: 97% business from repeat customers representing customer satisfaction with services |
| 3. Suzlon: Supplies turbines to leading international companies. High growth track meanwhile will bring with it challenges of managing the growth including keeping its quality to the highest international standards |
| 7 Innovation and learning | 1. ICICI Bank: Pioneer in ATM banking as well as banking for non-resident Indians and Indian corporates expanding internationally |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Infosys: Pioneer of the global delivery model (GDM) which was subsequently copied by others; 119 patent pending applications; BusinessWeek and Boston Consulting Group in their report of the “World’s most innovative companies” placed Infosys at No. 10 in Asia and No. 32 in the world.</td>
</tr>
<tr>
<td>3.</td>
<td>Suzlon: Pioneered the “end-to-end” solution in the wind energy business, thus taking away all implementation headaches from the customer</td>
</tr>
<tr>
<td>8</td>
<td>International marketing and brand-building</td>
</tr>
<tr>
<td>1.</td>
<td>ICICI Bank: Has a well-established brand with people and companies of Indian origin in foreign markets; starting to establish presence amongst non-Indians abroad</td>
</tr>
<tr>
<td>2.</td>
<td>Infosys: USA Today described Infosys as India’s most admired and best-known global brand</td>
</tr>
<tr>
<td>3.</td>
<td>Suzlon: Well established brand name in wind energy business internationally; advertising in international media like CNN</td>
</tr>
<tr>
<td>9</td>
<td>Employee entrepreneurship</td>
</tr>
<tr>
<td>1.</td>
<td>ICICI Bank: One of the key attractions of working at ICICI Bank is the amount of responsibility and entrepreneurial opportunity provided by it</td>
</tr>
<tr>
<td>2.</td>
<td>Infosys: Entrepreneurial freedom is balanced by a value system stressing responsible decision-making</td>
</tr>
<tr>
<td>3.</td>
<td>Suzlon: The company is conscious of balancing employee entrepreneurship with responsibility</td>
</tr>
<tr>
<td>10</td>
<td>Integration through IT systems and rotation of managers</td>
</tr>
<tr>
<td>1.</td>
<td>ICICI Bank: IT system with several levels of redundancies is a big competitive advantage; company intranet is a strong integrating mechanism</td>
</tr>
<tr>
<td>2.</td>
<td>Infosys: Initiatives such as the Knowledge Management Program provides employees with a database that enables learning and creation and sharing of knowledge assets, discussion forums, and networking through blogs and wikis</td>
</tr>
<tr>
<td>3.</td>
<td>Suzlon: Open-door policy amongst employees; staff free to move between international subsidiaries or between Indian headquarters and international headquarters in Amsterdam</td>
</tr>
<tr>
<td>11</td>
<td>Organizational renewal</td>
</tr>
<tr>
<td>1.</td>
<td>ICICI Bank: Business is evaluated on a periodic or annual basis based on feedback from customers regarding satisfaction, what competitors are doing</td>
</tr>
<tr>
<td>12</td>
<td>Employee selection practices</td>
</tr>
<tr>
<td>----</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>1. ICICI Bank: Individual factors considered at the time of recruiting new talent at the Bank include a customer-first mentality, passion, dynamism, and compliance with conscience. International recruiting recently started</td>
<td></td>
</tr>
<tr>
<td>2. Infosys: International recruiting ongoing since 2006; candidates recruited from top schools with technical or business degrees; employee selection for “learnability”</td>
<td></td>
</tr>
<tr>
<td>3. Suzlon: Recruiting from top business schools; has recruited the Hay Group for a comprehensive job evaluation at the company</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>13</th>
<th>Employee training and development</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ICICI Bank: In order to promote employee development, ICICI Group has initiated the ICICI Manipal Academy for Banking &amp; Insurance; other initiatives include the Branch Banking Academy, Wealth Management Academy, and Sales Academy; the Bank has also been a pioneer in India in introducing game-based learning and simulation in banking</td>
<td></td>
</tr>
<tr>
<td>2. Infosys: New recruits from India undergo an intensive 14-week foundation program at the Global Education Center; existing employees can update their knowledge through the Education and Research function, which offers 178 learning courses throughout the year, out of which 91 are instructor-led and 87 are e-learning programmes</td>
<td></td>
</tr>
<tr>
<td>3. Suzlon: Has teamed up with the Indian Institutes of Management and the Indian School of Business for management development</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>14</th>
<th>Appraisal and reward systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ICICI Bank: Performance-based pay applies to all levels in the Bank; key performance evaluation for the purpose of calculating rewards is done by the direct superior; 360 degree evaluation is used for the purpose of evaluating potential of employees</td>
<td></td>
</tr>
<tr>
<td>2. Infosys: Appraisal and reward system is based on performance evaluation of tasks performed, competency requirements, task outcomes, billability of employee as well as appraisal from manager as an outcome of discussion with</td>
<td></td>
</tr>
</tbody>
</table>
employee; one of the factors considered in the appraisal is customer feedback on projects; there is also a 360 degree evaluation of higher-level managers, but this is primarily for self-evaluation and does not have a bearing on financial reimbursements; the company has a policy of recognizing and celebrating big and small wins through Spot Awards at the project level, Reward and Recognition Programs at the business unit level, and Awards for Excellence at the organization level

3. Suzlon: Has a (one time) Employee Stock Option Plan (ESOP) covering all employees and based on a formal performance-based system; is introducing a new scheme wherein business leaders will be judged on the basis of team performance; does not have 360 degree evaluation as of yet but is looking at this possibility; moving towards identifying the bottom 10% performers – these employees receive no increments in salary

<table>
<thead>
<tr>
<th>15</th>
<th>International career planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ICICI Bank: Initially best people were offered international assignments, but now moving towards more process-oriented system for career planning</td>
<td></td>
</tr>
<tr>
<td>2. Infosys: The company was awarded the 2007 Optimas Award by Workforce Management in the Global Outlook category in acknowledgement of its ‘focus on talent and the ability to attract, engage and retain the best people in the face of ever-increasing competition’</td>
<td></td>
</tr>
<tr>
<td>3. Suzlon: Has launched a global job evaluation with the Hay Group. Sometimes difficult to induce people to move abroad as sites are often in remote locations</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>16</th>
<th>Vision and stretch goals provided by leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ICICI Bank: The Bank has made rapid strides under the leadership of KV Kamath whose bets in areas such as banking technology and international banking really paid off</td>
<td></td>
</tr>
<tr>
<td>2. Infosys: Leadership has been provided for by the founding team; company follows a communal leadership approach with top management leading by example</td>
<td></td>
</tr>
<tr>
<td>3. Suzlon: The Tanti family led by Mr. Tulsi Tanti has provided leadership so far, but there is increasingly a move to induct professional management and international talent</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>17</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ICICI Bank: Directors of the company include persons with significant</td>
<td></td>
</tr>
<tr>
<td>Experience of TMT and directors</td>
<td>International business and academic leadership credentials</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>2. Infosys: Top management team has significant international experience. Board consists of international practice leaders</td>
<td></td>
</tr>
<tr>
<td>3. Suzlon: Suzlon’s top operative leadership consists of foreign nationals and the company has two major offices in the Netherlands and Denmark</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee confidence in capability vis-à-vis international competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ICICI Bank: Confidence boosted by success vis-à-vis domestic and international competitors</td>
</tr>
<tr>
<td>2. Infosys: Employees have confidence in their areas of expertise and while Infosys employees are well-known for their “holistic personalities” and “professionalization”, the company is increasing its skills in value-added areas like consulting</td>
</tr>
<tr>
<td>3. Suzlon: Confidence stems from the top when Mr. Tanti states: “I can take a company with a 4% margin and turn it into a company with a 20% margin. They can't...”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cross cultural competence of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ICICI Bank: Cross-cultural training offered to employees before they are sent abroad. Extent of training depends on how familiar or unfamiliar the person is with the new culture</td>
</tr>
<tr>
<td>2. Infosys: Mr. Dinesh explains the company’s philosophy towards cross-cultural integration by suggesting that all human beings are born with a purpose, i.e. to serve others and thus to also serve the customer. There may be different ways of doing this in different cultures, but if these differences are valued and service to the customer is the key, then this acts as a strong integrating force within the organization</td>
</tr>
<tr>
<td>3. Suzlon: Suzlon has to increasingly deal with cross-cultural issues as it internationalizes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unifying and binding effect of organizational culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ICICI Bank: Normative integration of international activities is aided by the norms of the Bank as represented through the corporate DNA</td>
</tr>
<tr>
<td>2. Infosys: The company believes that its strong value system fosters trust and confidence among its stakeholders. It also unites the organization and strikes an emotional chord with Infoscions across roles and geographies</td>
</tr>
<tr>
<td>3. Suzlon: Suzlon uses event such as the annual meeting “Sumilan” to bring</td>
</tr>
</tbody>
</table>
together employees across geographies and celebrate common successes. Additionally, the idea of working for a company that contributes to a greener earth also probably binds employees together in a common cause.

<table>
<thead>
<tr>
<th>21</th>
<th>Attractive workplace for international employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ICICI Bank: Has only recently started to recruit international employees – the India story seems to be an asset in this direction</td>
</tr>
<tr>
<td>2.</td>
<td>Infosys: Already one of the best known employers from India on account of the company’s InStep and Global Training Program offering internships and jobs respectively for international employees</td>
</tr>
<tr>
<td>3.</td>
<td>Suzlon: Being associated with a “green” industry and the India story add to Suzlon’s appeal to international employees</td>
</tr>
</tbody>
</table>

### 7.5 Case study summary

The present study has identified general trends as well as unique ways in which three highly successful Indian companies, i.e. Infosys Technologies, ICICI Bank and Suzlon Energy have responded to the strategic and organizational challenges of internationalization. The case studies highlight strategic responses of these companies to key internationalization-related issues. They also suggest organizational transformation in these companies towards “efficient” and “excellent” forms of organizing over the last few years.

In order to build on this analysis and find statistically verifiable conclusions on the issues studied, the present study moves to quantitative analysis of survey data. At the end, this study will compare the findings of the case studies and survey analysis to examine whether these are in line or contradictory to one another.
8. Quantitative Results

In this section, the results of the quantitative analysis are presented. As described in the methods section, two data sources are used in conjunction with each other. One is a survey of top-1000 internationalizing Indian companies and the other is secondary information from the CMIE Prowess database.

8.1 Growing internationalization of Indian firms

This analysis tests the proposition developed in PART 1 of the model that the increased openness of the Indian economy to international influences, as suggested by the literature review in Section 2, has been associated with an increasing international presence of Indian firms.

Firms that had foreign income of at least Indian Rupees 100 million (USD 2 million at an exchange rate of 50 Indian Rupees per USD) in the financial year 2007-08 were chosen for this analysis. This was done to ensure that only those companies which had a significant stake in absolute terms in their international operations were chosen for the analysis. T Tests were conducted to compare the difference in levels of foreign income, and the foreign income to total income ratios between two time periods: Financial year 2003-2004 and financial year 2007-08.

The results are presented in Table 18 below:

Table 18: Growing internationalization of Indian firms from 2004-08

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Income</td>
<td>1113</td>
<td>119.1631</td>
<td>375.0903</td>
<td>214.7705</td>
<td>Significant at 0.1% level</td>
</tr>
<tr>
<td>Foreign Income/Total Income</td>
<td>1105</td>
<td>0.322644</td>
<td>0.390456</td>
<td>21.01774</td>
<td>Significant at 0.1% level</td>
</tr>
</tbody>
</table>

Source: Self

The results show that the sample of Indian firms have increased their level of foreign income by 214% over 5 years, while the foreign income to total income ratio has gone up by over 21% in this period. This represents a significant increase in the levels of internationalization of the sample of Indian companies. The changes are statistically significant at the 0.1% level. While these figures are based on nominal data (unadjusted for inflation), the increase in foreign income over the 5 year period still
significantly outstrips the general annual inflation of less than 10% p.a. seen in India and and the less than 5% p.a. seen in developed markets worldwide (see www.worldbank.org for data on global inflation rates). These findings support the proposition in PART 1 of this study that Indian firms have increased their international presence over the last 5 years.

The study now proceeds to test PART 2 of the model based on survey and secondary data.

### 8.2 Importance of internationalization

**Strategy Question 1: How important are international markets to the future success of Indian companies?**

In this question, respondents were asked to rate the importance of internationalization to the future success of their companies on a 1-5 scale ranging from very low to very high. Results are presented in Figure 14 below:

Figure 14: Importance of internationalization to Indian companies

![Importance of Internationalization to Indian Companies](image)

Source: Self

The mean reported value of the importance of internationalization was 4.54 i.e. falling in the “high” to “very high” range, with a significant 50 percentile of respondents giving the highest “5” rating to international markets. Quite significantly, not a single responding company rated the variable less than 3, suggesting that none of the respondents thought international markets were of low or very low importance.

These findings lend support to the stream of academic research, which suggests that organizations increasingly depend for their long-term success and survival on a strong international presence
(Barkema and Vermuelen, 1998; Bartlett and Ghoshal, 1989). The findings may also suggest that internationalization will play an important role in the coming years for Indian companies.

### 8.3 The “Made in India” label

**Strategy Question 3: Is the “Made in India” label more of an asset or a liability in facilitating the international market entry of Indian companies?**

In this question, respondents were asked how they would rate the effect of the “Made in India” brand perception in facilitating international market-entry for their company on a scale ranging from 1-5 (very negative, slightly negative, average, slightly positive and very positive). The results are presented next.

Figure 15: Is the “Made in India” label an asset or liability?

![Perception of Made in India Label](source_self)

Results show that respondents on an average seem to consider the “Made in India” label an *asset* with an average score of 4.01, i.e. between “slightly positive” and “highly positive”. This unexpected result seems to suggest that for the surveyed companies, the “Made in India” label is a strength in international markets, and the suggested “liability of origin” ( Zaheer, 1995) and the “liability of Indianness” (Bartlett and Ghoshal, 2000), referring to the unfavorable perceptions associated with products and services originating in emerging economies like India, do not seem to be a concern for the companies surveyed.

Industry and size effects were tested for their effect on the “Made in India” score. In respect of firm size, responding companies were split into two: Top 50% and bottom 50%, based on size of their foreign income for the year 2006-07, and differences in scores for this question were tested with T Test analysis. No significant size effect was found. Similarly to test for industry effect, responding
companies were categorized between those that belonged to the information technology and pharma sectors (the “high-tech” industries) and those that belonged to other categories such as manufacturing, agriculture, etc. While the “high technology” company group rated the “Made in India” as more of an asset (average rating 4.30/5) than the other group (mean score 3.94/5), this effect was only weakly significant at the 10% level.

8.4 Aspired level of internationalization

Strategy Question 4: What levels of internationalization do Indian companies aspire 5 years from today?

In this question, companies were asked what level of international sales they aspired for in 5 years (as a percentage of total sales).

Figure 16: Aspired level of internationalization 5 years from today

![Aspired Level of Internationalization](image)

The mean value of the responses was a foreign sales to total sales ratio (FSTS) of 55.79% against a current FSTS of 37.70% (Source: CMIE Prowess database). In other words, the surveyed companies aspire to increase their level of internationalization by close to 50% from current levels over the next 5 years.

8.5 Organization of international activities

Strategy Question 5: How are the international operations of Indian companies organized, i.e. whether as international division, global geographic structure, global product structure, or mixed structure?
Organizational forms suggested to be adopted by multinational businesses include international division, global geographic structure, global product structure, and mixed or matrix structures (Hedlund and Kogut, 1993; Stopford and Wells, 1972).

In this question, respondents were asked to mark the relevant form of organization of their international operations. Results are presented in the following diagram.

Figure 17: Types of international organizations adopted

Responses show that 37.31% of the surveyed companies were organized by international division; 16.41% by global geographic structure; 16.42% by global product structure; while the remaining 29.85% were organized by mixed structures. The high ratings for the international division structure are understandable in the context of the literature mentioned above, since Indian companies are still at a relatively early stage in their internationalization efforts (see Hedlund and Kogut, 1993; Stopford and Wells, 1972).

8.6 International competitiveness drivers

Strategy Question 2: What is the relative importance of competitive drivers such as low-cost base, superior product and service quality, adequate availability of financial resources, and organizational skills in achieving internationalization success at Indian companies?

Here, respondents were asked how important each of the following competitive drivers was in facilitating their company’s international success: low-cost advantage, superior product and service quality, adequate availability of financial resources, and organizational skills on a 1-5 scale ranging from “very low” to “very high”. Results are presented in Figure 18.
Figure 18: Importance of international competitive drivers

The results point to a very interesting observation. Survey respondents rated superior product and service quality and organizational skills as more important competitive advantages than the low-cost advantage!

This finding adds support to the argument of the model of the present study and that of the resource based view that organizational capabilities and transformation towards more "efficient" forms of organizing are strong sources of competitive advantage. All the competitiveness drivers are also significantly positively correlated with each other (Table 19 in next section).

8.7 Modes of internationalization

Strategy Question 6: What is the relative importance of international market entry modes such as exports, licensing, international joint ventures and foreign direct investment in the internationalization process of Indian firms?

In this question, respondents were asked to rate the importance of the following internationalization modes to their company: exports, licensing, international joint ventures, and foreign direct investment. The results are presented in the following figure:
The figure suggests that exports are the most favored internationalization mode for the companies studied. The joint venture mode was ranked second, while licensing and foreign direct investment both have a mean value less than 3.

Meanwhile, Table 19 presents the intercorrelations between internationalization modes and international competitive drivers.

Table 19: Intercorrelations between internationalization modes and competitive drivers

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Licensing</th>
<th>JV</th>
<th>FDI</th>
<th>Cost</th>
<th>Quality</th>
<th>Finance</th>
<th>Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensing</td>
<td>0.2410*</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JV</td>
<td>-0.0736</td>
<td>0.3958***</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FDI</td>
<td>-0.2111</td>
<td>0.0993</td>
<td>0.6033***</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>0.1344</td>
<td>0.1715</td>
<td>0.2301*</td>
<td>0.1229</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td>0.2352*</td>
<td>0.1622</td>
<td>0.2030</td>
<td>0.1657</td>
<td>0.3105**</td>
<td>1.0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>-0.0101</td>
<td>0.0426</td>
<td>0.2957*</td>
<td>0.0373</td>
<td>0.3251**</td>
<td>0.2764*</td>
<td>1.0000</td>
<td></td>
</tr>
<tr>
<td>Skills</td>
<td>0.0959</td>
<td>0.3736**</td>
<td>0.3360**</td>
<td>0.2245</td>
<td>0.2824**</td>
<td>0.5991***</td>
<td>0.4562***</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

*** p < 0.001 ** p < 0.01 * p < 0.05 Source: Self
The table suggests that amongst the internationalization modes, the lower-commitment modes, exporting and licensing, show a strong and significant positive correlation. Licensing is significantly positively correlated with the international joint venture mode. Finally, the high-commitment modes, joint venture and FDI, are strongly positively correlated with each other. These findings suggest that each internationalization mode is positively correlated with the mode next in hierarchy of organizational commitment. This finding seems to add support to the stages models of internationalization (Anderson, 1993; Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Johanson and Vahlne, 1977 and 1990; Johanson and Wiedersheim-Paul, 1975; Reid, 1981).

Meanwhile, the intercorrelations between the internationalization modes and organizational competitive drivers also point to some interesting observations. The export mode has a significant positive correlation with product and service quality. Secondly, licensing mode shows a significant positive correlation with the organizational skills driver. Finally, the joint venture mode shows a significant positive correlation with the low cost driver and the organizational skill driver.

8.8 Geographical focus regions

Strategy Question 7: What is the relative importance of different geographical regions including Asia, N. America, S. America, Europe, Australia and Africa to the current international focus of Indian companies?

On the question how important different geographical regions were in their company’s current international focus, Asia was ranked the most important geographical market followed by Europe. North America came third, while Australia was last. These results are along expected lines and mirror the current status of India’s largest trading partners.

Figure 20: Importance of different regions to Indian companies
Intercorrelations between competitive drivers and geographical focus regions are presented next.

Table 20: Intercorrelations between competitive drivers and geographical focus regions

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Quality</th>
<th>Finance</th>
<th>Skills</th>
<th>Asia</th>
<th>Australia</th>
<th>N. America</th>
<th>S. America</th>
<th>Europe</th>
<th>Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td>0.3105**</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>0.3251**</td>
<td>0.2764*</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skills</td>
<td>0.2824*</td>
<td>0.5991**</td>
<td>0.4562**</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>0.0060</td>
<td>-0.0720</td>
<td>0.1141</td>
<td>-0.0932</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>-0.2018</td>
<td>-0.1369</td>
<td>-0.1829</td>
<td>-0.0496</td>
<td>0.2218</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N. America</td>
<td>0.1275</td>
<td>0.2606*</td>
<td>-0.0968</td>
<td>0.2057</td>
<td>0.1387</td>
<td>0.2127</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S. America</td>
<td>0.0618</td>
<td>0.0303</td>
<td>-0.0720</td>
<td>0.1224</td>
<td>0.0483</td>
<td>0.2380*</td>
<td>0.3163**</td>
<td>1.0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>0.1071</td>
<td>0.2737*</td>
<td>-0.2564*</td>
<td>0.2217</td>
<td>-0.0769</td>
<td>0.1096</td>
<td>0.5864**</td>
<td>0.2173</td>
<td>1.0000</td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>0.0487</td>
<td>-0.0798</td>
<td>0.0386</td>
<td>-0.0063</td>
<td>0.2015</td>
<td>0.2507*</td>
<td>-0.0682</td>
<td>0.3472**</td>
<td>-0.1420</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

*** p < 0.001 ** p < 0.01 * p < 0.05 Source: Self

The table suggests that companies that ranked the North American markets as important, also ranked the South American and European markets as important. On the other hand, the African, South American and Australian markets were significantly positively correlated with each other. These results hint towards clustering of target markets based on proximities of geography and levels of economic development. The competitiveness driver “Superior product and service quality” was significantly positively correlated to the preference for the North American and European markets, suggesting perhaps that these markets demand higher quality of products and services.

Other correlations (Table 21) suggest that companies with higher foreign sales to total sales ratios 5 years back (FSTSy4) were negatively correlated with the importance they attributed to the Asian markets (at the 10% significance level) and also to Australia and Africa (no statistical significance at the 10% level). These companies were however positively correlated with the importance attributed to North America (at the 10% significance level) and also positively correlated with Europe and South America (no statistical significance at the 10% level).
Table 21: Intercorrelations between degree of internationalization and geographical focus areas

<table>
<thead>
<tr>
<th></th>
<th>Asia</th>
<th>Australia</th>
<th>N. America</th>
<th>S. America</th>
<th>Europe</th>
<th>Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSTSy4</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>-0.1918†</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>-0.1355</td>
<td>0.2218†</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N. America</td>
<td>0.2191†</td>
<td>0.1387</td>
<td>0.2127†</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S. America</td>
<td>0.1372</td>
<td>0.0483</td>
<td>0.2380*</td>
<td>0.3163**</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>0.1620</td>
<td>-0.0769</td>
<td>0.1096</td>
<td>0.5864***</td>
<td>0.2173†</td>
<td>1.000</td>
</tr>
<tr>
<td>Africa</td>
<td>-0.1544</td>
<td>0.2015†</td>
<td>0.2507*</td>
<td>-0.0682</td>
<td>0.3472**</td>
<td>-0.1420</td>
</tr>
</tbody>
</table>

*** p < 0.001 ** p < 0.01 * p < 0.05 † p< 0.10

Source: Self

8.9 Drivers of organizational transformation

Strategy Question 8: Has organizational transformation in the context of internationalization of Indian companies been primarily planned and implemented by the headquarters, or has the change been initiated at decentralized levels based on local responses to internationalization needs?

In this question, respondents were asked which of the following was the more important driver of organizational transformation in their company: “headquarters-driven strategy formulation and implementation to align organization to the needs of the internationalization environment” or “changes initiated at decentralized-levels based on local responses to internationalization needs”. Results of the survey are presented next.
33% of the respondents suggested that organizational transformation in their company over the last 5 years had been more decentralized, while the majority i.e. 67% suggested that organizational change in their company was more headquarters-driven. This suggests a headquarters-led strategic approach to organizational transformation in the internationalization context of the Indian companies surveyed.

### 8.10 Transformation in organizational variables

**Hypothesis 1: Internationalizing Indian companies have moved towards newer forms of organizing over the last 5 years.**

And,

**Transformation Questions 1-26**

In this question, respondents were asked to indicate how their company ranked (very low; low; medium, high; very high) on a range of organizational variables 5 years back and today. The organizational variables for the study were identified in Section 5 of this study. Each variable stands for a form of organizing considered desirable or “efficient” in the firm internationalization context. Thus, higher scores on this question mean that the company is more “efficiently” organized along that variable today compared to 5 years back.

Results of the analysis show that on an average, the companies surveyed have increased their mean scores on each of the organizational variables and the direction of the change is positive, i.e. companies have moved towards more “efficient” forms of organizing. Two-sided T tests conducted on the scores for 5 years back and today suggest that the companies surveyed have significantly transformed themselves in each of the organizational variables. These results are presented in
Appendix 5 and lead to the acceptance of Hypothesis 1 (above) that internationalizing Indian companies have moved towards newer forms of organizing over the last 5 years. The results also answer in the affirmative all the Transformation Questions 1-26. The study next proceeds to discuss the extent of organizational transformation in each of these variables.

8.10.1 Structure transformation

Transformation of the individual variables in the organizational structure composite category was measured using the percentage increase in each variable over 5 years and averaged over the companies (See Figure 22).

Figure 22: Transformation in organizational structure variables

The highest percentage structural transformation of over 54% was seen in the increased use of cross-functional/divisional/geographical teams and collaboration. This was followed by increase in decision-making decentralization to international subsidiaries and operations of over 50%.

8.10.2 Process transformation

Process transformation was calculated using a similar methodology as that for structural transformation. Results are presented in figure 23 below.
The highest percentage increase was seen in the increased use of information technology systems to integrate international activities and share information worldwide (over 60%) – this finding is hardly surprising given India’s substantial strengths in the IT field in the global context. The next highest change was seen in the area of innovation and learning through international operations and subsidiaries (over 48%).

8.11.3 HR transformation

The highest transformation in the HR area was in the increased training of employees in international management skills of over 40% (see Figure 24). This was followed by increased use of “tailor-made employee appraisal and reward systems that consider the uniqueness of situations and success factors for international operations” (over 38%).
8.10.4 Leadership transformation

In the area of leadership transformation, the highest change (over 35%) took place in the increased contribution of top management teams and boards of directors in bringing international experience to the company. Next came the increased role of the top leadership in providing a vision and stretch goals for the international operations (Figure 25).
8.10.5 Culture transformation

In regard to organizational culture, the largest transformation of over 40% took place in the increased confidence of employees in being able to compete successfully with the best in the world. The next highest transformation was a 40% increase in the level of cross-cultural competence of employees in international environments.

Figure 26: Transformation in organizational culture variables

8.11 Which organizational variables are important for international success?

Strategy Questions 9 – 28

In this part of the questionnaire, respondents were asked to rate the importance of individual organizational variables in facilitating internationalization success, based on their company’s experience. The scale was 1-5, ranging from “not imp” to “very imp”.

Results show that every variable had a mean score above the mean value of 3 suggesting that all the variables chosen were considered important in facilitating internationalization success. This finding lends support to Hypothesis 2 of this study, i.e. Organizational transformation towards more “efficient” forms of organizing has performance implications for internationalizing Indian companies.

Respondents rated “World class product and service quality” as the single most important variable for facilitating internationalization success (Score: 4.53). This was followed by another process variable – “Technological and operational competence” (4.37). A leadership variable with a high mean importance score of 4.37 was “Vision and stretch-goals provided by top leadership to drive international operations”. “International experience of top management team and board of directors” was another highly ranked leadership variable (Score: 4.16). “Organizational ability to renew itself in
response to changing international circumstances” was another process variable with a score above 4 (4.16). Finally, the culture variable with a score above 4 (4.07) was “Employees' confidence in their ability to compete successfully with the best in the world”.

The least ratings were given to the HR variables “Effective international career planning” (Score: 3.25) and “Reward systems that consider the uniqueness of international situations and success factors in evaluations” (Score: 3.54), and to the culture variable “Being considered an attractive work-place for international employees and employee appraisal” (Score 3.40).

The breakup according to the different organizational composite categories is as follows:

8.11.1 Importance of structural variables

“Apt use of both centralized and decentralized decision-making depending on whether situation requires headquarters or local inputs” (Balanced Centralization in Figure 27) was ranked the most important structural variable in the firm internationalization context. “Employees’ mastery of best-practices in standard situations and simultaneous ability to rely on professional autonomy in non-standard situations” (Balanced Formalization in Figure 27) was ranked second.

Figure 27: Perceived importance of organizational structure variables

8.11.2 Importance of process variables

“World-class” product and service quality” was ranked the top process variable in the internationalization context, followed by “Technological and operational competence”. Another important process variable was “Organizational ability to renew itself in response to changing environmental circumstances”.

Source: Self
Figure 28: Perceived importance of organizational process variables

8.11.3 Importance of HR variables

Amongst the HR variables, “Selection of employees based on prior international experience, personal and job skills, and desire for international assignments” was ranked most important. Joint top-ranked in this category was the variable “Employee skill development in international management skills”.

Figure 29: Perceived importance of organizational HR variables

8.11.4 Importance of leadership variables

“Vision and stretch-goals provided by top leadership to drive international operations” was ranked the more important of the two leadership variables in the firm internationalization context.
8.11.5 Importance of culture variables

The most important culture variable was “Employees' confidence in their ability to compete successfully with the best in the world”. This was followed by the variable “Organizational culture and values that act as a unifying and binding force on international operations and people”.

8.11.6 Other important organizational factors - The open question in the survey

The survey had one open question, which asked respondents if there were any other organizational factors they thought were important in the firm internationalization context. 23 respondents filled in
this part. The range of answers was very wide and difficult to cluster. Some of the organizational factors mentioned as important include: "increase in social responsibility levels and bringing down the carbon footprint", "general grace in conducting business", "building customer relationships", "understanding the local legal framework", "high quality infrastructure for employees", "salary levels for employees should be much higher than they currently are in India", "quick market analysis and response", and "sense of pride in being from 'the emerging global India'".

8.12 The organizational transformation – performance relationship (Regression)

The theory building for this analysis has already been done in Section 4 earlier in this study. The relevant hypothesis is reproduced below.

_Hypothesis 2: Organizational transformation towards more “efficient” forms of organizing has performance implications for internationalizing Indian companies._

Hypothesis 2 proposes to test the performance implications of organizational transformation in internationalizing Indian companies. The proposition is that as Indian firms move towards more “efficient” forms of organizing, this in turn would lead to an increase in the internationalization performance of the firm. This relationship can be described as follows:

\[ \Delta \text{Performance} = f (\Delta \text{Organizational Transformation}) \]

The statistical method adopted to test this relationship was hierarchical regression analysis. The variables chosen for the study were as follows:

**Dependent variable**

The dependent variable chosen for the analysis was “Foreign Income Change” as a dynamic measure of international performance. This variable was measured as the percentage increase/decrease in the level of foreign income over a 5-year period from financial years 2002-03 – 2006-07. Note: The foreign income figure used in this study included exports and/or as sales of foreign affiliates, and other miscellaneous items such as royalties, dividend and interest incomes received in foreign currencies.

**Explanatory variables**

The explanatory variables used to measure organizational transformation were “Structure Change”, “Process Change”, “HR Change”, “Leadership Change”, and “Culture Change” and represented organizational transformation in each of the composite variables of organizational design. These variables were measured as follows: Structure Change, for instance, was calculated by taking the average of the absolute changes over 5 years in the rankings of each of the component variables of organizational structure, i.e. in decentralization, formalization, professionalization, and use of lateral
structures (on the 1-5 scale). A similar method was followed to arrive at the other independent variables.

**Control variables**

The following control variables were used for the analysis:

1. Firm size – This variable was measured as the natural logarithm of total income for the year 2002-03. This measure took into account how large the firms were at the starting point of the transformation period and it was chosen to account for possible economies and diseconomies of scope. The natural logarithm was taken to ensure that the distribution of data is closer to normality and the interpretation of results is easier.

2. Foreign size – This variable was measured as the natural logarithm of foreign income for the year 2002-03. This measure took into account how large the international operations were at the starting point of the transformation period. The size of foreign income was chosen as a control variable to account for potential economies/diseconomies of scale arising from the international operations.

**Results**

Summary statistics are presented in Table 22 and Table 23. It is worthwhile to note that the mean increase in the level of foreign earnings of the respondent companies was 903% over 5 years. This figure was affected by one outlier company, whose foreign earnings increased over 395 times.

Table 22: Organizational transformation – performance summary statistics

<table>
<thead>
<tr>
<th></th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Income Change (%)</td>
<td>76</td>
<td>903.1595</td>
<td>4550.32</td>
<td>-45.79602</td>
<td>39546.15</td>
</tr>
<tr>
<td>Structure Change</td>
<td>75</td>
<td>.9177778</td>
<td>.6202134</td>
<td>.25</td>
<td>3</td>
</tr>
<tr>
<td>Process Change</td>
<td>76</td>
<td>.9126984</td>
<td>.6654814</td>
<td>-.1111111</td>
<td>4</td>
</tr>
<tr>
<td>HR Change</td>
<td>76</td>
<td>.6269424</td>
<td>.6764317</td>
<td>-.4285714</td>
<td>3</td>
</tr>
<tr>
<td>Leadership Change</td>
<td>75</td>
<td>.6733333</td>
<td>.7420449</td>
<td>-.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Culture Change</td>
<td>76</td>
<td>.8256579</td>
<td>.6786667</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Foreign size</td>
<td>76</td>
<td>3.884786</td>
<td>1.748013</td>
<td>-2.040221</td>
<td>9.271373</td>
</tr>
<tr>
<td>Firm size</td>
<td>76</td>
<td>5.433702</td>
<td>1.661098</td>
<td>2.572612</td>
<td>11.13671</td>
</tr>
</tbody>
</table>

Source: Self
Table 23: Organizational transformation – performance correlations

<table>
<thead>
<tr>
<th></th>
<th>Foreign Income Change</th>
<th>Structure Change</th>
<th>Process Change</th>
<th>HR Change</th>
<th>Leadership Change</th>
<th>Culture Change</th>
<th>Foreign size</th>
<th>Firm size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Income Change</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structure Change</td>
<td>-0.0217</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process Change</td>
<td>0.1742</td>
<td>0.6423***</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR Change</td>
<td>0.1687</td>
<td>0.6195***</td>
<td>0.6584***</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership Change</td>
<td>0.0579</td>
<td>0.5514***</td>
<td>0.6761***</td>
<td>0.5343***</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture Change</td>
<td>0.0248</td>
<td>0.5382***</td>
<td>0.7588***</td>
<td>0.6435***</td>
<td>0.5195***</td>
<td>1.0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign size</td>
<td>0.3990***</td>
<td>0.1142</td>
<td>-0.1457</td>
<td>-0.1518</td>
<td>-0.2033</td>
<td>-0.0937</td>
<td>0.7123*</td>
<td>1.0000</td>
</tr>
<tr>
<td>Firm size</td>
<td>-0.0774</td>
<td>0.0227</td>
<td>-0.1507</td>
<td>-0.1879</td>
<td>-0.1645</td>
<td>-0.1387</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*** p < 0.001 ** p < 0.01 * p < 0.05

Source: Self

The hierarchical regression results are presented in Table 24.

Note: Some of the firms in the survey exhibited very high levels of increase in total income, of up to over 3000%, over the 5 year period as shown by Figure 32. In order to ensure generalizability of results, the regression analysis was limited to those companies that had total income increases of less than 500% over the 5-year period.

Figure 32: Scatterplot of Total Income / Foreign Income

Source: Self
Coming to the regression analysis, Model 1 in Table 24 is the basic model consisting of the dependant variable “Foreign Income Change” and the control variables “Firm size” and “Foreign size”. The control variables explain 26.32% of the variance in the dependant variable and the model is statistically significant at the 0.1% level.

Model 2 introduces the first explanatory variable “Structure Change” representing transformation in the composite “Structure” variable. The effect of this variable is not statistically significant. R-square increased marginally by 0.2% (statistically significant at the 0.1% level). The model is statistically significant at the 0.1% level.

Model 3 introduces the second explanatory variable “Process Change”. This increases the R-square by 3.4% (statistically significant at the 0.1% level) and the new variable “Process Change” is statistically significant at the 10% level. The model itself is statistically significant at the 0.1% level.

Model 4 introduces the additional effect of the new variable “HR Change”. This increases the explanatory power of the model by 3.4% (statistically significant at the 0.1% level) and the new variable “HR Change” is statistically significant at the 10% level. In fact, in this model, all three explanatory variables are statistically significant at the 10% level. Again, the overall model is statistically significant at the 0.1% level.

Model 5 introduces the variable “Leadership Change”. Increase in R-square is 1.9% (statistically significant at the 0.1% level), but the new variable has no statistically significant effect on the model. The overall model is statistically significant at the 0.1% level.

Finally, Model 6 introduces the last dependant variable “Culture Change”. The explanatory power of Model 6 over Model 5 increases by 3.1% (statistically significant at the 0.1% level). Model 6 contains all the explanatory variables, and has a high overall R-Square of 38.44%, which is statistically significant at the 0.1% level – a very strong result indeed. In this final model, “Structure Change” has a negative effect on the dependant variable but this is statistically significant at the 10% level only. The second independent variable “Process Change” meanwhile has a highly significant (1% level) positive effect on performance. The third independent variable “HR Change” also has a statistically significant (5% level) positive effect on internationalization performance. The fourth explanatory variable “Leadership Change” has no statistically significant effect on the dependant variable. The final explanatory variable “Culture Change” has a negative effect on organizational performance but this effect is weakly significant (10% level). The first control variable “Firm size” has a positive effect on internationalization performance (5% level), while the second control variable “Foreign size” has a significant negative correlation (0.1% level) with international performance.
Note: In order to test for the presence of multicollinearity in the model, Variance inflation factor (VIF) tests were conducted, which revealed that the VIF values are less than 3 in all cases, thus ruling out the issue of multicollinearity.

Table 24: Organizational transformation – performance regression

<table>
<thead>
<tr>
<th>Control variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firmsize</td>
<td>1214.36**</td>
<td>1222.36**</td>
<td>1117.60**</td>
<td>1089.37*</td>
<td>1084.56*</td>
<td>1014.53*</td>
</tr>
<tr>
<td>Foreignsize</td>
<td>-1882.59***</td>
<td>-1906.07***</td>
<td>-1694.50***</td>
<td>-1539.26***</td>
<td>-1600.49***</td>
<td>-1519.64***</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Explanatory variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure Change</td>
<td>365.53</td>
<td>-937.23</td>
<td>-2202.42†</td>
<td>-1946.27</td>
<td>-2117.94†</td>
<td></td>
</tr>
<tr>
<td>Process Change</td>
<td>-182.87†</td>
<td>2046.85†</td>
<td>2757.27*</td>
<td>3954.17**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR Change</td>
<td>2092.62†</td>
<td>2294.10*</td>
<td>3054.22*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership Change</td>
<td>-1223.81</td>
<td>-1168.86</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture Change</td>
<td>-2194.10†</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No. of observations</th>
<th>71</th>
<th>71</th>
<th>71</th>
<th>71</th>
<th>71</th>
<th>71</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-square</td>
<td>0.2632***</td>
<td>0.2654***</td>
<td>0.2998***</td>
<td>0.3344***</td>
<td>0.3535***</td>
<td>0.3844***</td>
</tr>
<tr>
<td>Change in R-square</td>
<td>0.002***</td>
<td>0.034***</td>
<td>0.035***</td>
<td>0.019***</td>
<td>0.031***</td>
<td></td>
</tr>
<tr>
<td>F Value</td>
<td>12.15</td>
<td>8.07</td>
<td>7.07</td>
<td>6.53</td>
<td>5.83</td>
<td>5.62</td>
</tr>
<tr>
<td>Prob &gt; F</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

*** p < 0.001 ** p < 0.01 * p < 0.05 † p < 0.10 Standardized coefficients used.

Source: Self

Discussion

The results of Model 6 suggest that organizational transformation in the “Process” and “HR” variables have a positive effect on firm internationalization performance. These findings are along expected lines, as the advantages of process and HR efficiency in the internationalization context have already been emphasized by several scholars (Agrawal, 1999; Bartlett, 1986; Collins and Clark, 2003; Doz and Prahalad, 1981 and 1984; Hatch and Dyer, 2004; Martinez and Jarillo, 1989; Perlmutter, 1969; Pfeffer, 1994 and 1998).
The “Structure” and “Culture” variables however have a weakly significant negative effect, implying that organizational transformation in structure towards more “efficient” configurations actually reduces internationalization performance than raising it, as intended. One possible explanation for this is that organizational structure and culture are relatively harder to change, and any changes in these variables might have disruptive consequences for the people that work in the organizations, leading to negative rather than the intended positive consequences. Some academic scholars have already emphasized this issue earlier. For instance, Trompenaars and Prud’Homme emphasize that when the business environment changes, it becomes very difficult to change the earlier corporate culture and corporate culture can even be a hindrance to a company’s adaptation. Similarly, Hofstede (2001) has pointed out that cultures, especially national cultures, are extremely stable over time. Regarding organizational transformation in structure, Bartlett and Ghoshal (1989) point to the difficulties involved in changing organizational macro-structures. The difficulties in changing organizational structure and culture could perhaps have been further accentuated due to the peculiar Indian institutional context. For instance, Indian companies had a reputation for being highly centralized a few years back. Also, several of these companies were founded in pre-liberalization socialist times where access to government licenses and monopoly positions were at least as important if not more important than a employee- and market-oriented corporate culture (Ahmad and Chopra, 2004; Ghoshal et al, 2000). To change such deep-rooted patterns of human interactions, as changes in organizational structure and culture entail, might have disruptive consequences, which are perhaps explained by the negative effect of changes in these variables on organizational performance.

Finally, coming to the issue of the control variables, in Model 6, “Firm size” has a positive effect on internationalization performance (5% level) suggesting that companies that had higher initial levels of total income 5 years back also had higher percentage increases in foreign income over this period. This finding suggests the presence of positive economies of scope with increasing internationalization. The other control variable “Foreign size” however had a significant negative correlation (0.1% level) with internationalization performance. This finding perhaps points to the presence of negative economies of scale, i.e. firms that were already larger in terms of foreign income 5 years back, were less successful in increasing the levels of their foreign income over 5 years.

The results of the hierarchical regression analysis lead to the acceptance of Hypothesis 2 of the present study.

A potential managerial prescription arising from these results is that companies seeking to increase their internationalization performance may be advised to focus on transforming their organizational processes and HR policies towards more efficient forms, while proceeding cautiously in changing organizational structure and culture.
The findings of this study, that simultaneous organizational transformation in several variables has performance outcomes that outweigh piecemeal changes in fewer or single organizational variables, also potentially add support to the research suggesting the positive effect of “complementarities” (see Milgrom and Roberts, 1990, 1995)

To end, a note on the limitations of this analysis is presented. Firstly, the size of the sample was relatively small at 71. Larger samples could give higher confidence in the results. Secondly, in averaging the extent of organizational transformations across the components of the explanatory variables, there is a potential loss of variance. Data on other potential measures of internationalization performance like the profitability and margins of international operations was unavailable, although it must be mentioned that they would have added further depth to the analysis. Finally, as often is the case in such analyses, it is difficult to confirm the direction of the causal relationship between the dependant and independent variables.

8.13 The level of internationalization – performance relationship (Regression)

The theoretical review for this analysis was done in Section 3.4 of this study. As a recap, the so-called “three stage” theory (Contractor et al, 2003 and Lu and Beamish, 2004) suggests that the effect of international expansion on performance is not linear. In stage 1, international diversification can cause a negative effect on performance as firms have to expend resources on learning, on overcoming the “liability of origin” etc. In stage 2, further international expansion has a positive effect on performance with increasing economies of scale and scope. Finally, in stage 3, firms overextend themselves with even higher levels of internationalization, and this has a negative effect on performance due to costs associated with managing the increasing complexity. This leads to the suggested “S” curve of the internationalization-performance relationship, i.e. performance first going down, then up and again down as the level of internationalization increases.

However, not all researchers are unanimous in agreement on the three-stage theory. For instance, Ruigrok and Wagner (2003) found a “U” shaped relationship between internationalization and performance in the German context, with higher internationalization first leading to a dip in performance and then again to a rise in performance as the level of internationalization rises further. In the Swiss context, Ruigrok et al (2007) found an “S” shaped relationship, with the S curve shifting to the right and being preceded by an initial stage of increasing performance. In a review of the literature, Contractor et al (2007) found that various scholars found different results on this issue over the years. These ranged from a positive relationship (Grant, 1987; Grant et al, 1998; Qian, 1988) a “U” shaped relationship (Capar and Kotabe, 2003), an “inverted U” shape (Hitt et al, 1997; Sullivan, 1994), “S” shaped relationship (Contractor et al, 2003 and Lu and Beamish, 2004), and “inconclusive” results (Haar, 1989; Kim et al, 1989; Shaked, 1986).
Recently, there have also been a few studies in the Indian context. For instance, Gaur and Kumar (2009) found a positive relationship between internationalization and performance in a sample of Indian firms. These researchers observed that firm performance increased even higher with increasing levels of internationalization. Kumar and Singh (2008) meanwhile found an “S” shaped relationship with the curve going down, up and again down. Finally, Contractor et al (2007) found a “U” shaped relationship. In light of these conflicting findings, the present study will attempt to investigate the nature of this link between internationalization and performance using a 5-year longitudinal dataset.

Given that larger Indian companies having foreign income above Rs. 100 mn and a mean FSTS value of 32% in 2003-04 (see Table 18) were selected for the present study, these companies are moderately to highly international. Moreover, the Indian corporate sector has had experience with an increasingly globalized Indian economy since 1992. The sample companies thus probably and generally find themselves in between “Stage 2” and “Stage 3” of the “three stage theory” curve described above. Increased internationalization can thus be expected to have a positive effect on firm performance, until internationalization reaches very high levels, when diseconomies can kick in. Hence, an inverted-U curve for the degree of internationalization – performance relationship is expected and the following hypothesis is forwarded:

*Hypothesis 3: The shape of the degree of internationalization – performance curve for the sample of Indian firms is inverted U-shaped, with performance first rising with increased internationalization and then falling at higher levels of internationalization.*

In order to test this hypothesis, pooled cross-section time-series regression analysis was used as the method of choice. The database used was CMIE Prowess, the same database as used to analyze the results of the survey study covered previously in this study. Firms that had foreign income of at least Indian Rupees 100 million (approximately USD 2 million at an exchange rate of 50 Indian Rupees per USD) in the financial year 2007-08 were chosen for the study. This was done to ensure that only those companies which had a significant stake in absolute terms in their international operations were chosen. The total initial number of such companies was 1214.

The variables chosen for the study were as follows:

**Dependent variable**

Return on sales (ROS) was used as the dependent variable and was measured as the operating profit return on sales, i.e. pre-tax profit before interest, depreciation and taxes divided by sales. Note: The term “sales” is used as a synonym for the term “income” used elsewhere in this thesis (sales being the value of products and services sold by the company and income being its mirror image in terms of value of incoming remuneration).
The return on sales variable has been used previously in studies on the internationalization – performance relationship in the Indian context by Contactor et al (2007) and Gaur and Kumar (2009). This measure has certain advantages over other measures of performance, such as return on assets and return on equity. For example, in the Indian context, while calculating the return on assets, companies have the choice of valuing assets at historic acquisition values or current replacement values (market prices). Thus, comparison across companies becomes difficult. The return on equity measure also lends itself to bias, as the value of equity includes value of reserves, which are partly based on management estimates of the value of corresponding organizational assets. Finally, stock market performance data – another potential indicator of performance – was unavailable for many of the companies in the database for all 5 years, and hence could not be used. Hence, return on sales was the only indicator of performance used in this study.

**Explanatory variables**

Following the example of several previous studies on the internationalization-performance relationship in the Indian context (Contractor et al, 2003; Gaur and Kumar, 2009; Kumar and Singh, 2008) and in the emerging economy context in Mexico (Thomas, 2006), the present study adopted foreign sales to total sales percentage (FSTS) as the explanatory variable representing the degree of internationalization. The square of the FSTS term (FSTS^2) was also used in the analysis. The foreign sales figure used in this study included exports and/or sales of foreign affiliates, and other miscellaneous items such as royalties, dividend and interest incomes received in foreign currencies.

Note: As described above, the term “sales” is used as a synonym for the term “income” used elsewhere in this thesis.

**Control variables**

1. Firm size was taken as one of the control variables on account of its influence on profitability (Rugman, 1983), arising out of possible economies and diseconomies of scale, and because its effect has been tested on several occasions in internationalization – performance studies (Gomes and Ramaswamy, 1999, Ruigrok et al, 2007; Ruigrok and Wagner 2003). Two measures of firm size were adopted: Gross fixed assets and number of employees. Natural logarithm of each of these variables was used, and respectively called “Firmsize1” and “Firmsize2”. The natural logarithm was used to ensure that the distribution of data is closer to normality and the interpretation of results is easier.

2. Real GDP growth rates for the years 2002-03 – 2007-08 were taken as a control for economic factors affecting internationalization performance.

3. Firm Age was another control variable selected on account of its suggested effect on firm performance (Autio, Sapienza and Almeida, 2000). Firm Age was calculated as the number of years since the founding of the company. Two other control variables used were Advertising/Sales and
R&D/Sales, respectively called Adv/Sales and R&D/Sales in the tables below. This measures were used to control respectively for the effect of advertising intensity and R&D intensity on performance. Advertising has been suggested to be an important facilitator of international success (Kotler, 2003) because it can help create brand awareness in foreign markets where one’s products and services are less known, thus also helping overcome liabilities of origin. R&D meanwhile is suggested to foster innovation – another key source of strength in the internationalization process of firms (Bartlett and Ghoshal, 1989; Kelly, 1995; Shaw and Perkins, 1992). Finally, Industry was classified into three categories: “Agriculture and allied”, “IT, Pharma and Services”, and “Manufacturing and Mining”, and coded 1, 2 and 3.

Results

The summary statistics in Table 25 suggest that the mean return on sales (ROS) was 15.28%, while the mean FSTS ratio was 36.81%. The mean firm age was 28.48 years. The FSTS ratio ranged from 0 to 4152%. The zero values represent those companies that had nil foreign earnings in one of the years preceding the latest year. The FSTS above 100% represent those companies, which had miscellaneous foreign income in the form of royalties, dividend and interest incomes received in foreign currencies, which together with the foreign sales amount exceeded the amount of total sales (the total sales figure did not include these miscellaneous foreign income items such as royalties, dividend and interest incomes received in foreign currencies). For instance, the highest FSTS value was 4152%, which meant that in the case of this company, the miscellaneous foreign income in the form of royalties, dividend and interest incomes for that year was more than 40 times the total income from regular operations. These datapoints where FSTS was higher than 100% were however retained for the purpose of this analysis, because they represent actual operational cash inflows from international operations and reflect the true extent of the internationalization efforts.

Table 25: DOI-performance summary statistics

<table>
<thead>
<tr>
<th></th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROS</td>
<td>5031</td>
<td>15.28744</td>
<td>17.94443</td>
<td>-702.32</td>
<td>120.3</td>
</tr>
<tr>
<td>FSTS (%)</td>
<td>5035</td>
<td>36.81939</td>
<td>114.2959</td>
<td>0</td>
<td>4152.508</td>
</tr>
<tr>
<td>FSTS^2</td>
<td>5035</td>
<td>14416.63</td>
<td>413408.9</td>
<td>0</td>
<td>1.72e+07</td>
</tr>
<tr>
<td>Firm Age</td>
<td>5035</td>
<td>28.48361</td>
<td>19.71488</td>
<td>2</td>
<td>145</td>
</tr>
<tr>
<td>Adv/Sales</td>
<td>5011</td>
<td>.0107803</td>
<td>.1414308</td>
<td>0</td>
<td>4.42</td>
</tr>
<tr>
<td>Firmsize1</td>
<td>5031</td>
<td>4.767346</td>
<td>1.780522</td>
<td>-2.525729</td>
<td>11.75594</td>
</tr>
<tr>
<td>Firmsize2</td>
<td>1761</td>
<td>7.081895</td>
<td>1.472668</td>
<td>0</td>
<td>12.67766</td>
</tr>
<tr>
<td>Industry</td>
<td>5035</td>
<td>2.138034</td>
<td>.6060656</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Real GDP Growth</td>
<td>5035</td>
<td>8.66</td>
<td>.7864622</td>
<td>7.5</td>
<td>9.6</td>
</tr>
<tr>
<td>R&amp;D/Sales</td>
<td>5011</td>
<td>.00453</td>
<td>.0220866</td>
<td>0</td>
<td>.83</td>
</tr>
</tbody>
</table>

Source: Self
### Table 26: DOI-performance correlations

<table>
<thead>
<tr>
<th></th>
<th>ROS</th>
<th>FSTS</th>
<th>FSTS^2</th>
<th>Firm Age</th>
<th>Adv/Sales</th>
<th>Log No of empl.</th>
<th>Log Gr. Fixed Assets</th>
<th>Industry</th>
<th>Real GDP Growth</th>
<th>R&amp;D/Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on sales</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSTS</td>
<td>0.0276</td>
<td>1.000</td>
<td>0.9565*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSTS^2</td>
<td>0.0077</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Age</td>
<td>-0.0095</td>
<td>0.0824*</td>
<td>0.00528*</td>
<td>0.3162*</td>
<td>0.0050</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adv/Sales</td>
<td>0.1405*</td>
<td>0.0632*</td>
<td>0.1437*</td>
<td>0.0141</td>
<td>0.0058</td>
<td>0.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firmsize2</td>
<td>0.0833</td>
<td>0.0859*</td>
<td>0.0528*</td>
<td>0.3162*</td>
<td>0.0050</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firmsize1</td>
<td>0.1755*</td>
<td>0.1157*</td>
<td>0.0425*</td>
<td>0.3078*</td>
<td>0.0011</td>
<td>0.7458*</td>
<td></td>
<td></td>
<td>0.1470*</td>
<td>1.0000</td>
</tr>
<tr>
<td>Industry</td>
<td>0.1471*</td>
<td>0.0987*</td>
<td>0.0442*</td>
<td>0.1552*</td>
<td>0.0588*</td>
<td>0.0050</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP Growth</td>
<td>0.0536*</td>
<td>0.0113</td>
<td>0.0059</td>
<td>0.0426*</td>
<td>0.0141</td>
<td>0.0983*</td>
<td></td>
<td></td>
<td>-0.0000</td>
<td>1.0000</td>
</tr>
<tr>
<td>R&amp;D/Sales</td>
<td>0.0386*</td>
<td>0.0229</td>
<td>0.0024</td>
<td>0.0197</td>
<td>0.0060</td>
<td>0.0038</td>
<td></td>
<td></td>
<td>0.0038</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

*** p < 0.001 ** p < 0.01 * p < 0.05

Source: Self

Results of the regression are presented in Table 27. Two models were tested. Model 1 uses “Firmsize1” (the natural logarithm of gross fixed assets) as a control variable, while Model 2 uses “Firmsize2” (the natural logarithm of number of employees) as a control variable. Both models also use the square term of FSTS. The cubic terms of FSTS was also tried, but led to no significant results, and these results are not represented in this analysis.

Model 1 suggests an inverted U-shaped relationship between the degree of internationalization and performance, with performance first rising at a decreasing rate with an increase in the level of internationalization and then subsequently declining. Other researchers who found similar inverted U-shaped relationships include Geringer, Beamish and DaCosta (1989), Gomes and Ramaswamy (1999), Hitt, Hoskisson and Kim (1997) and Sullivan (1994). The R-square of Model 1 is 9.54% and the model is statistically significant at the 0.1% level. Both the FSTS and FSTS^2 terms are statistically significant at the 0.1% level. Amongst the control variables, Firm Age has a negative relationship with performance, but this is a weakly significant relationship, suggesting that younger firms show better performance. Adv/Sales has a strong positive relationship with performance. Firmsize1 meanwhile has a strong positive effect on performance suggesting positive economies of scale. Performance also
appears to be affected by the Industry control variable. The GDP growth rate has a positive effect on firm performance.

Model 2 also suggests an inverted U-shaped relationship. Using the number of employees as a proxy for firm size in Model 2 increases the predictive power of the model by over 9% to 18.56% (statistical significance at 0.1% level). The coefficients of the independent variables also increase in the process while the overall model remains at the 0.1% level of significance as in Model 1. Since relatively fewer number of companies had information on their number of employees, the sample size of Model 2 is smaller than Model 1.

Note: In order to test for the presence of multicollinearity in the model, Variance inflation factor (VIF) tests were conducted which revealed that the VIF values are less than 10 in all cases, thus ruling out presence of multicollinearity.

Table 27: DOI – performance regression statistics

<table>
<thead>
<tr>
<th>Dependant variable</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Age</td>
<td>-.0232272†</td>
<td>.0017713</td>
</tr>
<tr>
<td>Adv/Sales</td>
<td>17.3645***</td>
<td>19.35892***</td>
</tr>
<tr>
<td>Firmsize1 (log of gross fixed assets)</td>
<td>2.371297***</td>
<td></td>
</tr>
<tr>
<td>Firmsize2 (log of no. of employees)</td>
<td>1.436392***</td>
<td>1.436392***</td>
</tr>
<tr>
<td>Industry</td>
<td>4.060723***</td>
<td>3.365381***</td>
</tr>
<tr>
<td>Real GDP Growth</td>
<td>.6483364*</td>
<td>3.114454</td>
</tr>
<tr>
<td>R&amp;D/Sales Ratio</td>
<td>-6.595053</td>
<td>-4.137309</td>
</tr>
<tr>
<td>Independent variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSTS</td>
<td>.0712111***</td>
<td>1.027177***</td>
</tr>
<tr>
<td>FSTS^2</td>
<td>-.0000374***</td>
<td>-.000053***</td>
</tr>
<tr>
<td>No. of observations</td>
<td>5009</td>
<td>1748</td>
</tr>
<tr>
<td>R-square</td>
<td>0.0954***</td>
<td>0.1856***</td>
</tr>
<tr>
<td>Change in R-square</td>
<td></td>
<td>.0902</td>
</tr>
<tr>
<td>Wald chi2(8)</td>
<td>527.01</td>
<td>396.24</td>
</tr>
<tr>
<td>Prob &gt; F</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

*** p < 0.001 ** p < 0.01 * p < 0.05 † p < .10

Source: Self
Discussion

The regression models suggest an inverted U-shaped relationship between the level of internationalization and performance in Indian companies and lead to acceptance of Hypothesis 3 of this study. The negative sign for the FSTS^2 term suggests that with increasing internationalization, performance at the companies first increases at a decreasing rate, then tops off and starts to eventually decline. Any further increase thus seems to add to performance up to a point, after which diseconomies of scale are higher than the economies leading to a fall in performance. This finding has practical implications for managers that they should watch closely to the marginal benefits of increasing internationalization if they seek to maximize performance.

Coming to the limitations of this analysis, one was that other measures of the degree of internationalization such as number of foreign employees or number of foreign affiliates were not available to this study, as very few companies report these figures in the Indian context. However if these measures were available, they could have helped in adding greater depth to the results. Secondly, the data on foreign sales included other items such as foreign interest income, dividend income, etc and hence was not a pure reflection of only foreign sales as found in many studies of this nature. Future research could be conducted using "pure" foreign sales data if available.

8.14 Summary

Having come to the end of the quantitative analysis of this study, the findings are summarized in Table 28.

Table 28: Summary of the quantitative analysis findings

<table>
<thead>
<tr>
<th>Strategic and organizational issues</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy Question 1: How important are international markets to the future success of Indian companies?</td>
<td>The mean reported value of the importance of international markets was 4.54 i.e. falling in the “high” to “very high” range. Significantly, 50 percentile of respondents gave the highest “5” rating to international markets.</td>
</tr>
<tr>
<td>Strategy Question 2: What is the relative importance of competitive drivers such as low-cost base, superior product and service quality, adequate availability of financial resources, and organizational skills in achieving internationalization success at Indian companies?</td>
<td>Respondents rated superior product and service quality and organizational skills as more important competitive advantages than the low-cost advantage.</td>
</tr>
<tr>
<td>Strategy Question 3: Is the “Made in India” label more of an asset or a liability in facilitating the international market entry of Indian companies?</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Respondents on an average seem to consider the “Made in India” label as an asset with an average score of 4.01, i.e. between “slightly positive” and “highly positive”.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy Question 4: What levels of internationalization do Indian companies aspire 5 years from today?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The mean value of the responses was an aspired foreign sales to total sales ratio (FSTS) of 55.79% against a current FSTS of 37.70%.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy Question 5: How are the international operations of Indian companies organized, i.e. whether as international division, global geographic structure, global product structure, or mixed structure?</th>
</tr>
</thead>
<tbody>
<tr>
<td>37.31% of the surveyed companies were organized by international division; 16.41% by global geographic structure; 16.42% by global product structure; while the remaining 29.85% were organized by mixed structures.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy Question 6: What is the relative importance of international market entry modes such as exports, licensing, international joint ventures and foreign direct investment in the internationalization process of Indian firms?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports were the most favored internationalization mode. The joint venture mode was ranked second, while licensing and foreign direct investment both had a mean value less than 3 / 5.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy Question 7: What is the relative importance of different geographical regions including Asia, N. America, S. America, Europe, Australia and Africa to the current international focus of Indian companies?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia was ranked the most important geographical market followed by Europe. North America came third, and Australia was last.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy Question 8: Has organizational transformation in the context of internationalization of Indian companies been primarily planned and implemented by the headquarters, or has the change been initiated at decentralized levels based on local responses to internationalization needs?</th>
</tr>
</thead>
<tbody>
<tr>
<td>33% of the respondents suggested that organizational transformation was more decentralized, while the majority i.e. 67% felt that organizational change was more headquarters-driven.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy Questions 9 – 28: Which organizational variables are important in facilitating international success?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents rated “World class product and service quality” as the single most important variable for facilitating internationalization success (Score: 4.53). This was followed by</td>
</tr>
<tr>
<td>Transformation Questions 1-26 (Have Indian companies transformed themselves in the 26 organizational variables over the last 5 years?)</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>T-Test analysis shows that companies have significantly transformed themselves in each of the organizational variables over the last 5 years. The direction of the change was positive, i.e. companies have moved towards more “efficient” forms of organizing.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hypothesis 1: Internationalizing Indian companies have moved towards newer forms of organizing over the last 5 years</th>
<th>T-Test analysis shows that companies have significantly transformed themselves in each of the organizational variables over the last 5 years. The direction of the change was positive, i.e. companies have moved towards more “efficient” forms of organizing. Hence, Hypothesis 1 is accepted.</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-Test analysis shows that companies have significantly transformed themselves in each of the organizational variables over the last 5 years. The direction of the change was positive, i.e. companies have moved towards more “efficient” forms of organizing. Hence, Hypothesis 1 is accepted.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hypothesis 2: Organizational transformation towards more “efficient” forms of organizing has performance implications for internationalizing Indian companies.</th>
<th>The results of the hierarchical regression analysis (Section 8.12) lead to the acceptance of Hypothesis 2 of the present study. Organizational transformation in the “Process” and “HR” variables had a positive effect on firm internationalization performance while transformation in the “Structure” and “Culture” variables had a weakly significant negative effect.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The results of the hierarchical regression analysis (Section 8.12) lead to the acceptance of Hypothesis 2 of the present study. Organizational transformation in the “Process” and “HR” variables had a positive effect on firm internationalization performance while transformation in the “Structure” and “Culture” variables had a weakly significant negative effect.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hypothesis 3: The shape of the degree of internationalization – performance curve for the sample of Indian firms is inverted U-shaped, with performance first rising with increased internationalization and then falling at higher levels of internationalization.</th>
<th>Hypothesis 3 accepted following results of pooled cross-section time-series regression analysis (Section 8.13).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 3 accepted following results of pooled cross-section time-series regression analysis (Section 8.13).</td>
<td></td>
</tr>
</tbody>
</table>

Source: Self

Having completed the empirical analysis, conclusions of the study are drawn next.
9. Conclusion

The triangulation of research methodologies adopted in this study has led to interesting complementarities in the findings. The extensive literature review helped identify key strategic issues and organizational design variables in the firm internationalization context. The case studies allowed detailed and processual insights into the study questions, while the quantitative analysis led to statistically significant and more generalizable research results. Key findings are summarized next.

9.1 Key results

The present study started with a review of reportings of a transformation in the Indian institutional context including greater internal reform and internationalization of the economy. This institutional transformation has been associated with greater internationalization of Indian companies and reportings of organizational transformation in some companies. Based on these initial observations, the present study sought to understand key strategic imperatives before internationalizing companies from India and examine whether there had been organizational transformation in these companies, the extent of this transformation, and the performance implications of the same.

The findings of a survey of top-1000 Indian companies ranked by foreign income provides many rich insights into these issues. Key findings include that there has been a significant organizational transformation in the companies studied over the last 5 years. This transformation occurred simultaneously in a wide range of organizational variables, and was in the direction of more “efficient” forms of organizing.

This organizational transformation was also found to have performance implications, with transformation in “Process” and “HR” variables being positively associated with higher international performance. However changes in the “Structure” and “Culture” variables were found to have weakly negative consequences on performance.

Other important findings include the presence of an inverted U-shaped relationship between the degree of internationalization and performance. In other words, with increasing internationalization, performance increases at a decreasing rate before starting to fall.

These three hypotheses of this study and their results are summarized in Table 29:

Table 29: Hypotheses and results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 1: Internationalizing Indian companies have moved towards newer forms of organizing</td>
<td>Given the findings of survey analysis where responding companies reported transformation in</td>
</tr>
</tbody>
</table>
organizing over the last 5 years.  

Hypothesis 2: Organizational transformation towards more “efficient” forms of organizing has performance implications for internationalizing Indian companies.

Hypothesis 3: The shape of the degree of internationalization – performance curve for the sample of Indian firms is inverted U-shaped, with performance first rising with increased internationalization and then falling at higher levels of internationalization.

Other insights associated with internationalizing firms in India include:

1. Indian firms have increased their international presence significantly over the last 5 years in terms of, both, the absolute level of foreign sales, and the proportion of foreign sales to total sales.

2. Exports was the most favored internationalization mode for the companies surveyed.

3. In a surprising revelation, higher product and service quality and superior organizational skills were ranked as more important international competitive drivers than low cost.

4. The international division was the most favored organizational form adopted by the surveyed companies for their international activities.

5. In another surprising finding, surveyed companies reported the “Made in India” label being more of an asset than a liability in the international context.

6. Asia and Europe were the most favored geographical target markets followed by North America.

7. Organizational transformation over the last 5 years was significant in each of the organizational variables examined. The highest percentage transformation in the structure variables of over 54% was seen in the increased use of cross-functional/divisional/geographical teams and collaboration. The highest percentage increase in the process variables was seen in the increased usage of information technology systems to integrate international activities and share information worldwide (over 60%). The highest transformation in the HR area was in the increased training of employees in international management skills (over 40%). In the area of leadership transformation, the highest change (over 35%) took place in the increased contribution of top management teams and boards of directors in bringing international experience to the company. Finally, in regard to organizational culture, the largest
transformation (of over 40%) took place in the increased confidence of employees in being able to compete successfully with the best in the world. The findings also suggest that as a result of this transformation, Indian MNCs are beginning to resemble their counterparts from the developed world (the “efficient” organizational configurations were conceptualized based on firm internationalization and organizational design literature focusing primarily on firms from developed economies), and are seen moving away from their early reputation for being bureaucratic and poorly managed.

8. On the question of which organizational variables were more important in facilitating internationalization success, respondents rated “World class product and service quality” as the single most important variable in facilitating internationalization success. This was followed by another process variable – “Technological and operational competence”. A leadership variable with a high importance score was “Vision and stretch-goals provided by top leadership to drive international operations”. “International experience of top management team and board of directors” was another highly ranked leadership variable. “Organizational ability to renew itself in response to changing international circumstances” was also a process variable with a high score. Finally, the culture variable with a high score was “Employees' confidence in their ability to compete successfully with the best in the world”. All these variables had a mean score above 4, which means they were ranked “high” and above in terms of their importance in facilitating internationalization success. These findings could be potentially very useful for managers in identifying which areas of organizational design and transformation could yield the best results in terms of increased international success.

9. The organizational variables conceptualized in this study were all ranked above average on their perceived importance in facilitating internationalization success. This promising finding suggests that the key organizational success factors in the firm internationalization context identified in this study were perceived by managers at these companies as generally facilitating internationalization success.

10. The findings of the case studies are complementary to the survey analysis, and suggest that that the leading Indian firms examined appear to be moving towards more “efficient” forms of organizing, and that these firms imbibe many of the qualities of “high-performance”, “ideal type”, “learning” organizations, etc. However, the case studies also reveal that all the three firms have also adapted their organizational design to the needs of the Indian cultural and economic context. Another finding of the case studies is that international markets are of high importance to all the three companies studied. Again, in the case of all the companies, low cost as well as high quality and superior organizational skills appear to be important international competitive advantages. The “Made in India” label appears to have been a liability a few years back in the case of Infosys, but this appears to be changing for the positive recently. Finally, all three companies followed different approaches on the question of organization of international activities, types of internationalization modes used, and their respective geographical foci.
9.2 Implications

Based on its findings, the present study has several areas of potential contribution to theory and practice. These include:

A) The study answers the call by scholars such as Hoskisson et al (2000) and Hedlund (1993) for more research on the internationalization of firms from emerging economies and for operationalizing some of the more speculative models of MNC organization. The study also addresses the concerns of scholars like Pettigrew and Fenton (2000), and Ruigrok et al (1999, p. 42) that the actual incidence and international diffusion of newer organizational forms or new modes of organizing has yet to be empirically established.

B) The findings of this study offer support to the resource based view that organizational capabilities can be a source of competitive advantage and lead to performance. They also add support to the concept of “complementarities” in performance, i.e. simultaneous organizational transformation in several variables has performance outcomes that outweigh piecemeal changes in fewer or single organizational variables.

C) The present study extensively maps the transformation towards newer and more “efficient” organizational forms in the sample of MNCs from India. In doing so, it offers a road map for other current and aspiring multinational corporations from India and to some extent from other emerging economies. The wide-scope of the organizational factors considered in this study could also serve as a starting point for other researchers studying internationalizing firms from emerging economies.

D) The lesson for practitioners that emerges from this study, is they might be advised to proceed cautiously on organizational transformation in the firm internationalization context, and within this context perhaps focus more on processes and HR policies. Also, firms may be advised to regularly evaluate the marginal benefits of increasing their international presence, since with growing internationalization, the diseconomies of scale arising out of complexities of doing business abroad, the liabilities of origin, etc can negatively affect performance to varying degrees.

9.3 Limitations

The present study has a few limitations, which need to be acknowledged. For one, the wide-scope of the variables studied meant that the level of detail in the analysis of each one of them had to be sacrificed for time and data-collection efficiency reasons. Two, the sample of firms covered in the survey analysis was 76. Larger samples would have led to greater predictive power of the study. Three, there was a sample bias in the sense that the companies that responded to the survey were significantly larger and more international than the sample of surveyed companies, though there appears to be no response bias in terms of size effect on the extent of organizational transformation in
the responding companies. Four, the survey responses were based on self-reportings, which introduces its own bias. While objective measures for many of the organizational variables were unavailable to the present study, future researchers could try to overcome this shortcomings.

9.4 Future directions

The present study represents an exploratory but detailed attempt at understanding key internationalization related strategic and organizational issues before Indian firms. It is hoped that the extensive literature review and the findings of this study serve as a stepping-stone for further focused analyses into individual issues addressed in this study. It is also hoped that the research direction of the present study is further expanded in the future to cover small and medium internationalizing companies, as well as companies from other emerging economies. Such research could be useful to both theory and practice in better understanding internationalization of smaller firms, as well as firms from emerging economies, as these economies become increasingly important constituents of the world economic order.
Bibliography


Bennis, W (1982), “Leadership transforms vision into action”, Industry Week, pp. 54-56


Black, J S; Gregersen, H and Mendenhall, M (1992), Global Assignments: Successfully Expatriating and Repatriating International Managers, Jossey-Bass Publishers, San Francisco


Blau, P M and Scott, R W (1962), Formal Organizations, Chandler, San Francisco


BusinessWeek (2003a), "India is Living Up to its Promise", March 7, last retrieved from [http://www.businessweek.com/magazine/content/03_11/b3824141_mz033.htm](http://www.businessweek.com/magazine/content/03_11/b3824141_mz033.htm) on 5 March 2005

BusinessWeek (2003b), “The Rise of India”, December 8, Cover Story, last retrieved from [http://www.businessweek.com/magazine/content/03_49/b3861001_mz001.htm](http://www.businessweek.com/magazine/content/03_49/b3861001_mz001.htm) on 15 February 2006

BusinessWeek (2004), "The Factories are Humming in India", October 18, last retrieved from [http://www.businessweek.com/magazine/content/04_42/b3904062.htm](http://www.businessweek.com/magazine/content/04_42/b3904062.htm) on 4 March 2006

BusinessWeek (2005a), “China and India: What You Need to Know”, August Special Double Issue, last retrieved from [http://www.businessweek.com/magazine/content/05_34/b3948401.htm](http://www.businessweek.com/magazine/content/05_34/b3948401.htm) on 15 February, 2006
BusinessWeek (2005b), "India: A Quiet Shopping Spree", 10 October, last retrieved from http://www.businessweek.com/magazine/content/05_41/b3954076.htm on 5 March 2006


Cameron, K S and Quinn, R E (2006), Diagnosing and Changing Organizational Culture, Jossey-Bass, San Francisco


Cherns, A (1976), "The basic principles of socio-technical design", *Human Relations*, 29: 783-792


Crozier, M (1964), *The Bureaucratic Phenomenon*, University of Chicago Press, Chicago


Davis, F (1993), "Managing for flexibility and responsiveness", *Survey of Business*, 29(1) Summer/Fall: 22-27

Deal, T and Kennedy, A (1982), *Corporate Cultures: The Rites and Rituals of Corporate Life*, Addison-Wesley, Reading, MA


Denison, D (1990), *Corporate Culture and Organizational Effectiveness*, Wiley, New York


Donovan, M (1989b), "Redesigning the workplace", Journal for Quality & Participation, December: 6-8


Doz, Y (1986), Strategic Management in Multinational Companies, Pergamon Press, Oxford


Franko, L (1976), The American Multinationals, Greylock Press, Greenwich, Conn


Galbraith, J R (1973), *Designing Complex Organizations*, Addison Wesley, Reading: MA


Geertz, C (1973), *The Interpretation of Cultures*, Basic Books, NY


Ghoshal, S, and Westney, D (1993), *Organizational theory and the multinational corporation*, (Eds.), St. Martin's Press, NY


Great Place to Work Website: http://www.greatplacetowork.com last retrieved on 27 January 2009


Hage J (with Catherine Alter), (1993), Organizations Working Together, Sage, Newbury Park, CA


Hanna, D (1988), Designing Organizations for High Performance, Addison-Wesley, Reading, MA


Hofstede, G (1980), *Culture’s Consequences: International Differences in Work-related Values*, Sage, Beverly Hills, CA


ICICI Bank Careers Website: http://www.icicicareers.com/faq.htm last retrieved on 27 January 2009

ICICI Bank Website – History: http://www.icicibank.com/pfsuser/aboutus/newsroom/history/history.htm last retrieved on 27 January 2009


Indian Commerce Ministry Website - http://commerce.nic.in/ last retrieved on 27 January 2009


Johns, G (1983), Organizational behavior: Understanding life at work, Scott and Foresman, Glenview, Ill


Johnstone, A (1965), United States Direct Investment in France: An Investigation of the French Charges, Cambridge, MA


Kanter, R M (1985), The Change Masters, Simon and Schuster, NY


Kirzner, I (1979), *Perception, Opportunity and Profit*, University of Chicago Press, Chicago, IL


Knickerbocker, F (1973), *Oligopolistic Reaction and Multinational Enterprise*, Harvard Graduate School of Business Administration, Boston


Kornhauser, W (1963), *Scientists in Industry*, Berkeley, University of California Press


Lawrence, R and Lorsch J W (1967), *Organizational and Environment: Managing Differentiation and Integration*, Division of Research, Graduate School of Business Administration, Harvard University, Boston


March, J and Olsen, J (1976), *Ambiguity and Choice in Organizations*, Universitetsforlaget, Bergen, Norway


Mintzberg, H (1979), *The Structuring of Organizations*, Prentice Hall, Eaglewood Cliffs, NY


Nadler, D; Gerstein, M; Shaw R and Associates (1992), *Organizational Architecture: Designs for Changing Organizations*, (Eds.), Jossey-Bass, San Francisco


Negandhi, A R and Baliga, B (1979), *Quest for Survival and Growth*, Praeger Publishers, NY


Pande, P, Neuman, R and Cavanagh, R (2000), The Six Sigma Way: How GE, Motorola, and Other Top Companies are Honing Their Performances, McGraw-Hill


Peters, T (1992), "Blow up the organization", *Adweek*, 33(40) 5 October: 26-31


Pfeffer, J (1972a), "Interorganizational influence and managerial attitudes", *Academy of Management Journal*, 15: 317-330


Pinchot, G III (1985), *Intrapreneuring: Why you don't have to leave the corporate to become an entrepreneur?* Harper & Row Publishers, NY


Rhinesmith, S (1993), Six dimensions of a global mindset (A Manager's Guide to Globalization), Business One Irwin, Homewood, Ill

Ricks, D; Toyne, B and Martinez, Z (1990), “Recent developments in international management research”, Journal of Management, 16(2): 219-253


Rumelt, R; Schendel, D and Teece, D (1991), “Strategic management and economics”, *Strategic Management Journal, Winter Special Issue, 12: 5-29*


Salancik, G (1979), "Interorganizational dependence and responsiveness to affirmative action: The case of women and defense contractors", *Academy of Management Journal, 22: 375-394*


Schein, E (1985), Organizational Culture and Leadership, Jossey-Bass, San Francisco


Selznick, P (1957), Leadership in Administration, Harper and Row, NY


Stopford, J and Wells, L (1972), *Managing the Multinational Corporation*, Basic Books, NY


Taylor, F (1911), *Principles of Management*, Harper and Brothers, NY
Taylor, M S; Locke, E A; Lee, C and Gist, M E (1984), “Type A behavior and faculty research productivity: What are the mechanisms?” Organizational Behavior and Human Decision Processes, 34: 402-418


Vroom, V H (1964), Work and motivation, Wiley, NY

Wakabayashi, M (1980), Management Career Progress in a Japanese Organization, JMI Research Press, Ann Arbor, MI


Weick, K (1985), “The Significance of Corporate Culture”, in P Frost; L Moore; M Louis; C Lundberg and J Martin (Eds.) p. 381-9, Organizational Culture, Sage, Beverly Hills, CA


Yin, R (2009), *Case Study Research: Design and Methods*, Sage Publications Inc, NY

Yoshino, M Y (1976), Japan’s Multinational Enterprises, Harvard University Press, Cambridge MA


Appendix

Appendix 1) Hypotheses and Questions

Hypotheses

Hypothesis 1: Internationalizing Indian companies have moved towards newer forms of organizing over the last 5 years.

Hypothesis 2: Organizational transformation towards more “efficient” forms of organizing has performance implications for internationalizing Indian companies.

Hypothesis 3: The shape of the degree of internationalization – performance curve for the sample of Indian firms is inverted U-shaped, with performance first rising with increased internationalization and then falling at higher levels of internationalization.

Strategy Questions

Strategy Question 1: How important are international markets to the future success of Indian companies?

Strategy Question 2: What is the relative importance of competitive drivers such as low-cost base, superior product and service quality, adequate availability of financial resources, and organizational skills in achieving internationalization success at Indian companies?

Strategy Question 3: Is the “Made in India” label more of an asset or a liability in facilitating the international market entry of Indian companies?

Strategy Question 4: What levels of internationalization do Indian companies aspire 5 years from today?

Strategy Question 5: How are the international operations of Indian companies organized, i.e. whether as international division, global geographic structure, global product structure, or mixed structure?

Strategy Question 6: What is the relative importance of international market entry modes such as exports, licensing, international joint ventures and foreign direct investment in the internationalization process of Indian firms?

Strategy Question 7: What is the relative importance of different geographical regions including Asia, N. America, S. America, Europe, Australia and Africa to the current international focus of Indian companies?
Strategy Question 8: Has organizational transformation in the context of internationalization of Indian companies been primarily planned and implemented by the headquarters, or has the change been initiated at decentralized levels based on local responses to internationalization needs?

Strategy Question 9: Is an appropriate balance between centralized and decentralized decision-making, depending on whether situation requires headquarters or local inputs, a success factor in firm internationalization in India?

Strategy Question 10: Is employee mastery of best-practices in standard situations and simultaneous ability to rely on professional autonomy in non-standard situations a success factor in firm internationalization in India?

Strategy Question 11: Is the increased use of integrated structures and lateral relations such as cross-division teams, communication and collaboration a success factor in firm internationalization in India?

Strategy Question 12: Is technological and operational competence a success factor in firm internationalization in India?

Strategy Question 13: Is achieving levels of world-class product and service quality a success factor in firm internationalization in India?

Strategy Question 14: Is achieving organizational ability for worldwide learning from international subsidiaries and units a success factor in firm internationalization in India?

Strategy Question 15: Is achieving strategic skills like international marketing, brand-building, etc a success factor in firm internationalization in India?

Strategy Question 16: Is the entrepreneurial drive of employees across the organization and at all hierarchical levels a success factor in firm internationalization in India?

Strategy Question 17: Is international integration through use of IT systems, rotation of managers, etc a success factor in the firm internationalization context in India?

Strategy Question 18: Is the organizational ability to renew itself in response to changing environmental circumstances a success factor in firm internationalization in India?

Strategy Question 19: Is the practice of selection of employees based on prior international experience, personal and job skills, and desire for international assignments a success factor in the firm internationalization context in India?

Strategy Question 20: Is employee skill development in international management skills a success factor in firm internationalization in India?
Strategy Question 21: Is the use of employee appraisal and reward systems, which consider the uniqueness of international situations and success factors in evaluations, a success factor in firm internationalization in India?

Strategy Question 22: Is effective international career planning a success factor in firm internationalization in India?

Strategy Question 23: Are vision and stretch-goals provided by top leadership to drive international operations a success factor in firm internationalization in India?

Strategy Question 24: Is the international experience of top management team and board of directors a success factor in firm internationalization in India?

Strategy Question 25: Is employees' confidence in their ability to compete successfully with the best in the world a success factor in firm internationalization in India?

Strategy Question 26: Is cross-cultural competence of employees a success factor in firm internationalization in India?

Strategy Question 27: Are organizational culture and values that act as a unifying and binding force on international operations and people a success factor in firm internationalization in India?

Strategy Question 28: Is being considered an attractive workplace by international employees a success factor in firm internationalization in India?

**Process Questions**

Process Question 1: What are some of the instances where Indian companies have shown characteristics of “ideal MNC” types and “high performance” and “learning” organizations and have generally moved towards newer forms of organizing?

Process Question 2: What are some of the ways internationalizing companies from India are moving towards an appropriate balance between decision-making centralization and decentralization?

Process Question 3: What are some of the ways in which internationalizing Indian companies have worked on increasing their mastery of best-practices in standard situations and simultaneous ability to rely on professional autonomy in non-standard situations?

Process Question 4: What are some of the ways in which internationalizing Indian companies have increased the use of integrated structures and lateral relations such as cross-division teams, communication and collaboration?
Process Question 5: What are some of the ways in which internationalizing Indian companies have increased their level of technological and operational competence?

Process Question 6: What are some of the ways in which internationalizing Indian companies are achieving world-class levels of product and service quality?

Process Question 7: What are some of the ways in which internationalizing Indian companies are achieving organizational ability for worldwide learning from international subsidiaries and units?

Process Question 8: What are some of the ways in which internationalizing Indian companies are achieving strategic skills like international marketing, brand-building, etc?

Process Question 9: What are some of the ways in which internationalizing Indian companies are achieving higher entrepreneurial drive of employees across the organization and at all hierarchical levels?

Process Question 10: What are some of the ways in which internationalizing Indian companies are achieving international integration through use of use of IT systems, rotation of managers, etc?

Process Question 11: What are some of the ways in which internationalizing Indian companies are developing the ability to renew themselves in response to changing environmental circumstances?

Process Question 12: What are some of the ways in which internationalizing Indian companies are selecting employees based on prior international experience, personal and job skills, and desire for international assignments?

Process Question 13: What are some of the ways in which internationalizing Indian companies are training employees in international management skills?

Process Question 14: What are some of the ways in which internationalizing Indian companies are using employee appraisal and reward systems that consider the uniqueness of international situations and success factors in evaluations?

Process Question 15: What are some of the ways in which internationalizing Indian companies are using effective international career planning practices?

Process Question 16: What are some of the ways in which top leadership at internationalizing Indian companies is providing vision and stretch-goals to drive international operations?

Process Question 17: What are some of the ways in which top management team and board of directors bringing international experience to the company?
Process Question 18: What are some of the ways in which internationalizing Indian companies are seeing employees' confidence in their ability to compete successfully with the best in the world?

Process Question 19: What are some of the ways in which internationalizing Indian companies are seeing cross-cultural competence of employees in international environments?

Process Question 20: What are some of the ways in which internationalizing Indian companies have an organizational culture and values that act as a unifying and binding force on international operations and people?

Process Question 21: What are some of the ways in which internationalizing Indian companies are being considered an attractive workplace by international employees?

Transformation Questions

Transformation Question 1: Have internationalizing Indian companies increased decision-making decentralization to international subsidiaries/operations on issues of marketing, communications, and product mix for international markets over the last 5 years?

Transformation Question 2: Have internationalizing Indian companies seen increased ability of their employees in mastering well-documented best-practices and operating procedures to ensure consistent, high-quality output over the last 5 years?

Transformation Question 3: Have internationalizing Indian companies seen increased ability of their employees to rely on professional judgments in finding timely and adequate solutions to non-standard problems over the last 5 years?

Transformation Question 4: Have internationalizing Indian companies increased the use of cross-functional/divisional/geographical teams and collaboration to promote internationalization efforts over the last 5 years?

Transformation Question 5: Have internationalizing Indian companies seen an increase in the level of technological and operational competence against the background of international competition over the last 5 years?

Transformation Question 6: Have internationalizing Indian companies achieved higher levels of “world-class” quality in their products and services over the last 5 years?

Transformation Question 7: Have internationalizing Indian companies seen an increase in the extent they innovate and learn through international operations and subsidiaries over the last 5 years?

Transformation Question 8: Have internationalizing Indian companies strengthened their foreign market-entry and market-development skills over the last 5 years?
Transformation Question 9: Have internationalizing Indian companies strengthened their brand-recognition in international markets over the last 5 years?

Transformation Question 10: Have internationalizing Indian companies seen an increase in the extent to which employee entrepreneurship is encouraged throughout international operations over the last 5 years?

Transformation Question 11: Have internationalizing Indian companies increased the use of IT systems to share information worldwide to foster integration of international activities over the last 5 years?

Transformation Question 12: Have internationalizing Indian companies increased the rotation of managers through international operations to foster integration of international activities over the last 5 years?

Transformation Question 13: Have internationalizing Indian companies increased their ability to quickly renew and readapt existing routines and practices in response to changes in the international environment over the last 5 years?

Transformation Question 14: Have internationalizing Indian companies increasingly considered prior international experience as a selection criteria in selecting employees for international operations over the last 5 years?

Transformation Question 15: Have internationalizing Indian companies increasingly considered personality factors like open mind, self-confidence and ability to work across cultures as selection criteria in selecting employees for international operations over the last 5 years?

Transformation Question 16: Have internationalizing Indian companies increasingly considered necessary job qualifications as a selection criteria in selecting employees for international operations over the last 5 years?

Transformation Question 17: Have internationalizing Indian companies increasingly considered the desire for foreign assignment (of candidate and family) as a selection criteria in selecting employees for international operations over the last 5 years?

Transformation Question 18: Have internationalizing Indian companies increased the extent to which employees are given training in international management skills over the last 5 years?

Transformation Question 19: Have internationalizing Indian companies adapted the use of tailor-made employee appraisal and reward systems that consider the uniqueness of situations and success factors for international assignments over the last 5 years?
Transformation Question 20: Have internationalizing Indian companies increased the strength of their international career planning process over the last 5 years?

Transformation Question 21: Have top leadership at internationalizing Indian companies played an increasingly important role in providing a vision and stretch-goals for their international operations over the last 5 years?

Transformation Question 22: Do internationalizing Indian companies have increasing international experience of the top management team and board of directors over the last 5 years.

Transformation Question 23: Have internationalizing Indian companies seen an increasing confidence amongst their employees in being able to compete successfully with the best in the world over the last 5 years?

Transformation Question 24: Have internationalizing Indian companies seen increasing levels of cross-cultural competence amongst employees in international environments over the last 5 years?

Transformation Question 25: Have internationalizing Indian companies seen an increasing role of organizational culture and values in creating a unifying and binding effect on international operations over the last 5 years?

Transformation Question 26: Are internationalizing Indian companies increasingly being considered as sought-after workplaces for international employees over the last 5 years?
Appendix 2) Some of the earlier works on "high-performance" organizations

<table>
<thead>
<tr>
<th>Taylor – Scientific management</th>
<th>Weber – Bureaucracy</th>
<th>Open systems architecture</th>
<th>Hanna, 1988; Cherns, 1976 Sociotechnical systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Careful and comprehensive analysis of work systems and the removal of any possible cause of variation</td>
<td>1) Organizations should be built around a clear system of hierarchical relationships with greater discretion in decision-making as one moves to higher layers of the hierarchy and with an established chain of command as the primary mechanism for coordination</td>
<td>1) Employee selection involving peer selection and information-sharing enabling workers to select the new type of work environment</td>
<td>1) Although rules and work processes critical to overall success should be identified, no more rules should be specified than absolutely necessary</td>
</tr>
<tr>
<td>2) Specialization of work into the narrowest possible jobs</td>
<td>2) Organizations should be governed by a clear and consistent set of written rules and procedures covering overall positions at both the operational and managerial levels</td>
<td>2) Design of physical layout involved employee participation</td>
<td>2) Variances or deviations from the ideal process should be controlled at the point of origin</td>
</tr>
<tr>
<td>3) Careful specification of work tasks in detail</td>
<td>3) Employees should be qualified to perform their assignments and thus technical</td>
<td>3) Job design within the context of teams considered increased autonomy, variety of tasks, feedback and the sense of completing a piece of work</td>
<td>3) Members of the system should be skilled in more than one function so that the work system is flexible and adaptive</td>
</tr>
<tr>
<td>4) Repetition of activity with little (or no) variety</td>
<td>4) Pay systems wherein rewards are tied to skill acquisition for individuals and gain sharing plans to motivate performance</td>
<td>4) Interdependent roles should be within the same departmental boundaries</td>
<td>4) Information system design should focus on bringing information to the point of action and problem solving</td>
</tr>
<tr>
<td>5) Removal of all discretion and &quot;brain work&quot; from operational personnel</td>
<td>5) Organization structure with fewer levels of hierarchy, more self-contained or autonomous units and supporting self-managing teams</td>
<td>5) Investment in training in skills as well as training to provide the broad background knowledge for</td>
<td>5) Information system design should focus on bringing information to the point of action and problem solving.</td>
</tr>
<tr>
<td>competence should be the basis for awarding jobs and promotions</td>
<td>participating in decision-making</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>----------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7) Explicit management philosophy of partnership between management and the work force aimed at a common vision</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 3) Qualities of "high-performance" organizations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Organization and work design represented by teams or enriched jobs; flat and lean structures; product-, service-, or customer-based activities; and task forces and diagonal-slice policy groups</td>
<td>1) clock building, not time telling - building a company that can prosper far beyond the presence of any single leader or through multiple product cycles</td>
<td>1) organizations as cooperating networks of suppliers, competitors and customers</td>
</tr>
<tr>
<td>2) Physical layout design characterized by equal access to parking, dining and entrances; use of similar offices; layout around team structure; availability of meeting areas but otherwise few walls; and co-location of business units</td>
<td>2) no tyranny of the &quot;or&quot;</td>
<td>2) fuzzy organizational boundaries as different allegiances emerge</td>
</tr>
<tr>
<td>3) Information system practices including use of distributed technology, online capability, and user-friendliness; regular financial reviews; competitive benchmarking; a suggestion processing system; attitude surveys; and performance feedback against goals</td>
<td>3) more than profits</td>
<td>3) process-oriented high-performance work systems that contain elements of total quality at the unit level</td>
</tr>
<tr>
<td>4) Managerial practices including leadership in monitoring the culture; managing symbols representing the vision; sharing power and information; setting goals for the organization; modeling a good decision-making process; developing values/philosophy statement and using it; benchmarking performance; and overall monitoring of the environment</td>
<td>4) preserve the core/stimulate progress</td>
<td>4) teams as the norm at all levels</td>
</tr>
<tr>
<td>5) Training and development characterized by practices such as economic education; team-skills training; skills assessments; peer input; training for problem-solving; regular horizontal and vertical training; and total quality control skills and techniques</td>
<td>5) big hairy audacious goals</td>
<td>5) subunits and teams more autonomous than before</td>
</tr>
<tr>
<td>6) norms and values more important than rules and direct supervision</td>
<td>6) cult-like cultures</td>
<td>6) norms and values fluid and transitory</td>
</tr>
<tr>
<td>7) organizational forms fluid and transitory</td>
<td>7) trying a lot of stuff and keep what works</td>
<td>7) emphasis on system-level learning</td>
</tr>
<tr>
<td>8) home-grown management</td>
<td>8) the end of the beginning - all the elements of a</td>
<td>8) developing</td>
</tr>
<tr>
<td>9) good enough never is</td>
<td>9) developing</td>
<td>9) home-grown management</td>
</tr>
<tr>
<td>10) the end of the beginning - all the elements of a</td>
<td>10) developing</td>
<td>10) good enough never is</td>
</tr>
</tbody>
</table>
6) **Staffing practices** such as a realistic preview in employee selection; employment security; peer input; extensive testing and interviewing; open job posting; testing for technical and social skills; and promotion from within

7) **Personnel policies** including task forces to develop personnel policies; an ongoing personal committee and a grievance committee; flex time; telecommuting; celebrations; special events; activities that include the family; financial support for education; maternity and paternity leave; and child care

| Company work together in a concert within the context of the company's core ideology and its vision | Employees who understand both broader strategic issues and the specific tasks in all areas of the organization | A more balanced emphasis on short-term financial performance |
Appendix 4) Nadir Godrej’s witty poem

What is the reason that our nation
Is not well known for innovation?
We spend so little on R&D,
And the results are poor, obviously.
And I, for one, would lay the charge
Quite squarely in our Licence Raj.
A license that was sinecure,
A perfect method to ensure
A steady stream of easy dough
And this went on and on, you know.
The dinosaurs that roamed the land,
I’m sure that you will understand,
Had no need to innovate
For, after all, they were doing great.
But in ’91 the meteor hit.
And stirred up things quite a bit.
As dinosaurs were now laid low,
The nimblter mammals start to grow.
In other lands it is a fact
The smaller firms are quick to act.
Entrepreneurs don’t hesitate;
It is their task to innovate.
But smaller firms faced disruption:
They’re harder hit by corruption
And more entangled in red tape,
Which in India you can’t escape.
And because of this sorry state
Both big and small didn’t innovate.
One strategy then was to steal,
Pretend to reinvent the wheel,
So ideas known in other nations
Were passed off here as innovations.
The picture I paint is bleak,
But now is the time for me to speak
Of areas where it can be said
That Indians are a bit ahead.
In low-cost goods we specialize,
Simple products in tiny size,
Is all that many can afford
And in this field we have scored.
There is no doubt we have the brains,
And therefore some have taken pains
To organize our talent pools,
As software firms, computer schools
That clearly pass every test
And are considered the very best.
Sometimes it is our many flaws
Such as lack of patent laws,
Our many years of price controls
And endless number of poor souls,
That enables us to take the lead
In processes that succeed,
In developing generic drugs
And pesticides for all the bugs.
And this is all I have to say;

I wish you all a good day.
For those of you who swear by prose,
You must admit a tiny dose
Of early morning rhyming verse,
As long as it is crisp and terse,
Can serve to wake, if not the dead,
Those who still think they are in bed.
The bell has rung, get, up, stand straight: It’s not too late, let’s innovate.
### Appendix 5) Transformation in organizational variables over 5 years

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean values of variables 5 years back</th>
<th>Mean values of variables today</th>
<th>Difference in Means (T Tests)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure_Decentralization</td>
<td>2.753623</td>
<td>3.768116</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Structure_Best Practices</td>
<td>3</td>
<td>3.915493</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Structure_Professionalization</td>
<td>3.045455</td>
<td>3.852941</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Structure_Cross Teams</td>
<td>2.614286</td>
<td>3.583333</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td><strong>Structure Average Values</strong></td>
<td><strong>2.853341</strong></td>
<td><strong>3.779971</strong></td>
<td></td>
</tr>
<tr>
<td>Process_Operational Competence</td>
<td>3</td>
<td>3.859155</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Process_Quality</td>
<td>3.4</td>
<td>4.323944</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Process_Innovation</td>
<td>2.885714</td>
<td>3.915493</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Process_Market Entry</td>
<td>2.828571</td>
<td>3.708333</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Process_Branding</td>
<td>2.641791</td>
<td>3.536232</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Process_Entrepreneurship</td>
<td>2.768116</td>
<td>3.521127</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Process_IT</td>
<td>2.608696</td>
<td>3.661972</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Process_Managerial Rotation</td>
<td>2.328125</td>
<td>2.892308</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Process_Renewal</td>
<td>2.914286</td>
<td>3.861111</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td><strong>Process Average Values</strong></td>
<td><strong>2.819478</strong></td>
<td><strong>3.697742</strong></td>
<td></td>
</tr>
<tr>
<td>HR_Selection Int Experience</td>
<td>2.782609</td>
<td>3.371429</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>HR_Selection Personality</td>
<td>3.318841</td>
<td>3.971429</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>HR_Selection Qualifications</td>
<td>3.558824</td>
<td>4.101449</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>HR_Selection International Desire</td>
<td>3.107692</td>
<td>3.560606</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>HR_Training and Development</td>
<td>2.447761</td>
<td>3.15942</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>HR_Rewards and Appraisal</td>
<td>2.333333</td>
<td>2.957143</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Variable</td>
<td>Mean 1</td>
<td>Mean 2</td>
<td>Level</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>--------</td>
<td>--------</td>
<td>----------------------------</td>
</tr>
<tr>
<td>HR_Career Planning</td>
<td>2.4545</td>
<td>3.0477</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td><strong>HR Average Values</strong></td>
<td>2.8576</td>
<td>3.4523</td>
<td></td>
</tr>
<tr>
<td>Leadership_Vision</td>
<td>3.6286</td>
<td>4.3099</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Leadership_International Experience</td>
<td>3.2286</td>
<td>3.9296</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td><strong>Leadership Average Values</strong></td>
<td>3.4286</td>
<td>4.1197</td>
<td></td>
</tr>
<tr>
<td>Culture_Confidence</td>
<td>3.1408</td>
<td>4.0694</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Culture_Competence</td>
<td>2.7571</td>
<td>3.6056</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Culture_Integration</td>
<td>2.8696</td>
<td>3.5857</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td>Culture Attractive Workplace</td>
<td>2.6818</td>
<td>3.3582</td>
<td>Significant at .01% level</td>
</tr>
<tr>
<td><strong>Culture Average Values</strong></td>
<td>2.8623</td>
<td>3.6547</td>
<td></td>
</tr>
<tr>
<td>Average for all Variables</td>
<td>2.9643</td>
<td>3.7409</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 6) Questionnaire

Introduction:

This survey is targeted at Indian companies with the highest international earnings. The study’s aim is to develop a knowledge framework on what organizational factors are important in facilitating internationalization success – an area of significant strategic importance, but one with relatively less scholarly research.

We wish to assure you that in accordance with the highest research standards, data received by us will remain anonymous and confidential and no information would be further traceable.

The completed questionnaire may be posted back to us in the enclosed stamped envelope. On our part we will send you an electronic copy of the completed research findings after receiving your response, which could serve as a useful guide to your company’s internationalization efforts.

If you have any questions on the survey or seek further information please do not hesitate to contact us at prasad.oswal@unisg.ch

We kindly request you to answer the questions by crossing the appropriate box or filling in the open spaces. In case you change your mind after crossing a box, you can cancel the original marking and cross a new box.

SECTION A

1. How would you rate the importance of international markets to the future success of your company? 

<table>
<thead>
<tr>
<th>Very low</th>
<th>Low</th>
<th>Medium</th>
<th>Quite high</th>
<th>Very high</th>
</tr>
</thead>
</table>

2. How important are the following internationalization modes to your company? 

<table>
<thead>
<tr>
<th>Internationalization mode</th>
<th>Very low</th>
<th>Low</th>
<th>Medium</th>
<th>Quite high</th>
<th>Very high</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Exports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Licensing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) International joint ventures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Foreign direct investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. How important are the following variables as competitive drivers of your company’s international success? 

<table>
<thead>
<tr>
<th>Competitive drivers</th>
<th>Very low</th>
<th>Low</th>
<th>Medium</th>
<th>Quite high</th>
<th>Very high</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Low-cost advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Superior product and service quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Adequate availability of financial resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Organizational skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. The following questions seek to assess organizational transformation in your company over the last 5 years. Kindly indicate how your company ranked (very low; low; medium, high; very high) on the following variables 5 years back and today:

<table>
<thead>
<tr>
<th>Organizational structure</th>
<th>5 YEARS BACK</th>
<th>TODAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) What is the extent of decision-making decentralization to international subsidiaries/operations on issues of marketing, communications, and product mix for international markets?</td>
<td>❑ ❑ ❑ ❑ ❑</td>
<td>❑ ❑ ❑ ❑ ❑</td>
</tr>
<tr>
<td>b) On the subject of standardization of activities, how would you rate your organization on: The extent to which employees are required to master well-documented best-practices and operating procedures to ensure consistent, high-quality output? The extent to which employees are able to rely on professional judgments in finding timely and adequate solutions to non-standard problems?</td>
<td>❑ ❑ ❑ ❑ ❑</td>
<td>❑ ❑ ❑ ❑ ❑</td>
</tr>
<tr>
<td>c) To what extent does your organization utilize cross-functional/divisional/geographical teams and collaboration to promote internationalization efforts?</td>
<td>❑ ❑ ❑ ❑ ❑</td>
<td>❑ ❑ ❑ ❑ ❑</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational processes</th>
<th>5 YEARS BACK</th>
<th>TODAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>d) How would you rate your organization's level of technological and operational competence against the background of international competition?</td>
<td>❑ ❑ ❑ ❑ ❑</td>
<td>❑ ❑ ❑ ❑ ❑</td>
</tr>
<tr>
<td>e) To what extent would you describe the quality of your products and services as “world-class”?</td>
<td>❑ ❑ ❑ ❑ ❑</td>
<td>❑ ❑ ❑ ❑ ❑</td>
</tr>
<tr>
<td>f) How far does your company innovate and learn through international operations and subsidiaries?</td>
<td>❑ ❑ ❑ ❑ ❑</td>
<td>❑ ❑ ❑ ❑ ❑</td>
</tr>
<tr>
<td>g) How strong is your organization in the following strategic areas: Foreign market-entry and market-development skills Recognition of brand in international markets</td>
<td>❑ ❑ ❑ ❑ ❑</td>
<td>❑ ❑ ❑ ❑ ❑</td>
</tr>
<tr>
<td>h) To what extent is employee entrepreneurship encouraged throughout your international operations?</td>
<td>❑ ❑ ❑ ❑ ❑</td>
<td>❑ ❑ ❑ ❑ ❑</td>
</tr>
<tr>
<td>i) To what extent does your organization rely on the following means to integrate international activities: IT systems to share information worldwide</td>
<td>❑ ❑ ❑ ❑ ❑</td>
<td>❑ ❑ ❑ ❑ ❑</td>
</tr>
<tr>
<td>Rotation of managers through international operations</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td>j) To what extent is your organization able to quickly renew and readapt existing routines and practices in response to changes in the international environment?</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td>Human Resources (HR)</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td></td>
<td>5 YEARS BACK</td>
<td>TODAY</td>
</tr>
<tr>
<td></td>
<td>Very Low</td>
<td>Medium</td>
</tr>
<tr>
<td>k) To what extent are the following factors considered in selecting employees for international assignments: Prior international experience</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td></td>
<td>5 YEARS BACK</td>
<td>TODAY</td>
</tr>
<tr>
<td></td>
<td>Very Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Personality factors like open mind, self-confidence and ability to work across cultures</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td></td>
<td>5 YEARS BACK</td>
<td>TODAY</td>
</tr>
<tr>
<td></td>
<td>Very Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Necessary job qualifications</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td></td>
<td>5 YEARS BACK</td>
<td>TODAY</td>
</tr>
<tr>
<td></td>
<td>Very Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Desire for foreign assignment (of candidate and family)</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td></td>
<td>5 YEARS BACK</td>
<td>TODAY</td>
</tr>
<tr>
<td></td>
<td>Very Low</td>
<td>Medium</td>
</tr>
<tr>
<td>l) To what extent are your employees given training in international management skills?</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td>m) To what extent does your organization have tailor-made employee appraisal and reward systems that consider the uniqueness of situations and success factors for international assignments?</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td>n) How would you rate the strength of your organization's international career planning process?</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td></td>
<td>5 YEARS BACK</td>
<td>TODAY</td>
</tr>
<tr>
<td></td>
<td>Very Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Governance and leadership</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td>o) How important is the role of your company’s top leadership in providing a vision and stretch-goals for your international operations?</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td></td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td></td>
<td>Very Low</td>
<td>Medium</td>
</tr>
<tr>
<td>p) To what extent do your top management team and board of directors bring international experience to your company?</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td>Organizational culture</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td>q) How would you rate your employees' confidence in being able to successfully compete with the best in the world?</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td>r) How would you rate your employees' level of cross cultural competence in international environments?</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td>s) To what extent does your organizational culture and values have a unifying and binding effect on international operations?</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
<tr>
<td>t) How attractive is your company as a sought-after</td>
<td>TODAY</td>
<td>5 YEARS BACK</td>
</tr>
</tbody>
</table>
4. If there has been a transformation in how your company is organized over the last 5 years in response to internationalization, which one of the following would you attribute as the most important driver of the change (kindly mark any one)?
- Headquarters-driven strategy formulation and implementation to align organization to the needs of the internationalization environment: □
- Changes initiated at decentralized-levels based on local responses to internationalization needs: □

SECTION C

5. Kindly rate the importance of the following organizational variables in facilitating internationalization success, based on your organization's experience (questions based on variables discussed in SECTION B).

<table>
<thead>
<tr>
<th>Organizational variables</th>
<th>Not imp</th>
<th>Less imp</th>
<th>Medium</th>
<th>Quite imp</th>
<th>Very imp</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Apt use of both centralized and decentralized decision-making depending on whether situation requires headquarters or local inputs</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>b) Employees' mastery of best-practices in standard situations and simultaneous ability to rely on professional autonomy in non-standard situations</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>c) Use of horizontal cross-division teams, communication and collaboration</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>d) Technological and operational competence</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>e) “World-class” product and service quality</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>f) Organizational ability for worldwide learning from international subsidiaries and units</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>g) Strategic skills like international marketing, brand-building, etc</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>h) Entrepreneurial drive of employees across the organization and at all hierarchical levels</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>i) International integration through use of IT systems, rotation of managers, etc</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>j) Organizational ability to renew itself in response to changing environmental circumstances</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>k) Selection of employees based on prior international experience, personal and job skills, and desire for international assignments</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>l) Employee skill development in international management skills</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>m) Employee appraisal and reward systems that consider the uniqueness of international situations and success factors in evaluations</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>n) Effective international career planning</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>o) Vision and stretch-goals provided by top leadership to drive international operations</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>p) International experience of top management team and board of directors</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>q) Employees' confidence in their ability to compete successfully with the best in the world</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>r) Cross-cultural competence of employees</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>
s) Organizational culture and values that act as a unifying and binding force on international operations and people

| | | | | | |
|---|---|---|---|---|

i) Being considered an attractive work-place for international employees

| | | | | | |
|---|---|---|---|---|

6. Are there any other organizational factors that you think are important in the firm internationalization context?
   a) ____________________________________________________________
   b) ____________________________________________________________
   c) ____________________________________________________________

SECTION D

7. How would you label the effect of the “made in India” brand perception in facilitating international market-entry for your company?

<table>
<thead>
<tr>
<th>Effect</th>
<th>Very negative</th>
<th>Slightly negative</th>
<th>Average</th>
<th>Slightly positive</th>
<th>Very positive</th>
</tr>
</thead>
</table>

8. How important are the following geographical regions in your company’s current international focus?

<table>
<thead>
<tr>
<th>Focus region</th>
<th>Very low</th>
<th>Low</th>
<th>Medium</th>
<th>Quite high</th>
<th>Very high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N. America</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S. America</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. What level of international sales do you aspire for by 2012 (as a % of total sales)? ____________________________

10. How are your international operations currently organized (kindly mark relevant one)?
    - International division within company that coordinates international subsidiaries and operations: □
    - Global geographic structure (e.g. Asia division, Europe division, Americas division, etc): □
    - Global product structure wherein international responsibility lies within individual product divisions: □
    - Mixed structure: □

Details of person completing the questionnaire:

a) Name ____________________________________________________________

b) Designation __________________________________________________

c) Email address (for sending study findings) ____________________________
Curriculum Vitae of Author

Name: Prasad Oswal

Nationality: India

Date of Birth: 15 September 1974

Languages (fluent): English, Hindi, German, Marathi, Gujarati, Rajasthani

Contact: prasad@droswal.com

Education

1. PhD Studies (2003 – current) – University of St. Gallen, Switzerland

2. MSc (2001-2003) – Master of International Management, University of St. Gallen, Switzerland – Double Masters


5. Bachelor of Commerce (1992-1995) – University of Pune, India

Work Experience

1. Director – Center for Life Sciences, Health and Medicine, Pune, India – www.g-therapy.org (June 2008-current) – Center focuses on research and treatment of neurological and developmental disorders

2. India Specialist – Credit Suisse, Switzerland (2007–2008) – Area of “green” real estate fund


5. Center for Life Sciences, Health and Medicine, Pune, India (1996-2001)
Interests

1. Creating enriching workplaces

2. Fostering green and sustainable lifestyles

3. Studying good governance and development economics

4. Healthcare management