



Munich Personal RePEc Archive

On the Globalness of Emerging Multinationals: A Study of Indian MNEs

Aggarwal, Raj and Pradhan, Jaya Prakash
College of Business Administration, University of Akron,
Sardar Patel Institute of Economic & Social Research

09. September 2010

Online at <http://mpa.ub.uni-muenchen.de/24867/>
MPRA Paper No. 24867, posted 09. September 2010 / 11:00

On the Globalness of Emerging Multinationals
A Study of Indian MNEs

Raj Aggarwal

Frank C. Sullivan Professor of International
Business and Finance
College of Business Administration
The University of Akron,
Akron, OH 44325.
aggarwa@uakron.edu

Jaya Prakash Pradhan

Associate Professor
Sardar Patel Institute of Economic &
Social Research, Thaltej Road,
Nr. Doordarshan Tower,
Ahmedabad- 380 054.
pradhanjayaprakash@gmail.com

Acknowledgement: We are thankful to two anonymous referees of the *Journal of Industrial and Business Economics* for their useful suggestions on this paper.

On the Globalness of Emerging Multinationals: A Study of Indian MNEs

Abstract: Contrary to contentions in prior literature that emerging multinationals are only regional players, the evidence on the globalness of Indian firms presented in this study suggests that a number of emerging multinationals are global firms. Their strategies are targeted at both the developed and developing markets with the intensity of their overseas operations comparable or far greater than those of the world's leading multinationals. Many of these firms have greater sales or capital assets outside their home base. Indeed, many of them qualify as global firms as they have a significant presence (over 10 percent of sales) in each of the four regions (triad and the non-triad developing regions) and no one region accounts for more than 50 per cent of their global sales. The study of the transformation of emerging multinationals into non-home region players provides considerable potential for better understanding management theories and practices.

1. Introduction

The emergence of developing country multinationals has been the subject of a growing literature in recent years (Mathews, 2002; UNCTAD, 2006, 2007; Sauvant et. a. 2008, 2010; Ramamurti and Singh, 2009; Gammeltoft et. al., 2010). The study of this issue has been spurred by the recognition that a rising number of developing country firms have been undertaking large volumes of outward investment. Outward FDI (OFDI) flows from developing and transition countries increased from just US \$3 billion in 1980 to US \$11.9 billion in 1990 to US \$351 billion in 2008¹. These emerging regions' OFDI flows accounted for 6 per cent, 5 per cent, and 19 per cent of the global OFDI flows in these years respectively. A growing number of scholars and policy makers are concerned with the rise of these new players in the geography of global direct investment. However, there are many issues related to the corporate and organizational behavior of these emerging multinationals (EMs) that are yet to be well understood.

UNCTAD (2007) calls EMs global players that are rapidly multiplying. It cites the growing number of firms from developing and transition economies among the Fortune Global 500 to emphasize the globalness of EMs. The same perception about EMs is also shared by a number of other studies (e.g. Huchet and Ruet, 2009; Pradhan, 2008) that argue EMs to have come of age to be global corporations by virtue of their large-scale acquisitions in developed countries. This is quite an opposite view than that which existed in the received literature about developing country multinationals as regional players (ESCAP/UNCTC, 1985; Oman, 1986) without significant consequences for the global market.

Recently Rugman (2008), drawing upon the regional sales profiles of some 44 EMs in 2004 calculated from the data in the Fortune Global 500, concluded that the majority of EMs are mainly home-region based players. They tend to derive more than 50 per cent of their sales from their home-region and/or have just a token presence in the regions represented by the triad of North America, the EU and Asia. The same study shows that all of the EMs from India listed in the Fortune Global 500 for the year 2004 like Indian Oil, Reliance Industries, Bharat Petroleum, Hindustan Petroleum and ONGC are simply regional players.

¹ UNCTAD FDI statistics accessible at <http://www.unctad.org/>

In this study, we revisit the issue of the globalness of EMs based on the analysis of outward direct investment by Indian firms. As a start, we review the concept of globalness of a firm and then point out some limitations of prior empirical approaches especially for the identification of the globalness of EMs. In this section we will also specify the empirical criterion that is more appropriate for judging the globalness of a firm from emerging markets. Thereafter, we explore changing geographical profiles of aggregate overseas investment flows from India to assess the global spread of outward investing Indian companies. In the following section, we examine the globalness of the fifteen emerging Indian multinationals (EIMs) that have the largest stocks of outward foreign direct investment among Indian companies.

2. The conceptual and empirical aspects of firm globalness

Why do firms expand across borders?

Emerging markets firms and firms from the developing markets have similar motivations to expand across borders. Indeed, it is useful to briefly review why any firm globalizes. They do so in spite of the liability of foreignness because a company is a self-perpetuating organization that attempts to increase its value and profitability and the likelihood of its long-term survival. Therefore, such a company may engage in overseas operations for a number of reasons that help in achieving these goals. Consequently, motivations for overseas expansion may be classified into the following four categories (Aggarwal, 2010):

- Seeking new outlets for its outputs including new markets for its sales and new arenas to exploit its technology and knowhow
- Seeking new sources for its inputs including labor and management knowhow, raw materials, financing, and technology
- Seeking better control of its value chain including attempts at vertical integration
- Seeking better bargaining power against commercial rivals, suppliers, customers, and governments by becoming larger (than is possible or optimal in any one country) and via greater global diversification (reducing dependence on any one country)

As this particular classification of the reasons for firm globalization indicates, once firms are successful in their home markets, they have powerful reasons to become larger and global and EMs are no exception. While the first two classifications address economic and value enhancing reasons for global expansion, the last two classifications reflect more of a focus on the development of strategic advantages and longer-term survival. In terms of their motivations, EMs are not any different from their developed country counterparts.

A second issue that goes beyond the motivation to globalize, is the nature of the processes used by firms to globalize. Here, EMs may differ from their developed country counterparts. All firms that cross borders face the liabilities of foreignness when operating in host countries. Depending on the host country and industry, they may use a combination of their strengths, skills, and resources to overcome these limitations including business knowhow, technology, size, access to finance, and strong brands. Further, the need to make cross-border direct investments and internalize their advantages in exploiting host environments implies that the

market for such resources and strengths are imperfect and inadequate. The particular combinations of factors important in the process of globalization will differ among firms depending on their home countries and individual strengths and weaknesses in going to specific foreign countries. Indeed, the process of firm internationalization has been extensively studied and shown to firm and country specific. EMs can, thus, be expected to be different in terms of globalization processes compared to their developed country counterparts.

According to the ownership, location and internalization (OLI) theory, a prerequisite for a firm to become international is the ownership of unique advantages that outweigh the disadvantages of being “foreign” in overseas markets. Therefore, a key question in identifying the determinants of overseas investment is the nature of the ownership advantages or unique assets that allow a company’s outward expansion (e.g., Li, 2007). According to a second major theory (called the Swedish School) a company becomes more global as it accumulates experience and knowledge of operating across borders. A third, newer, theory says that in the modern internet age it is possible for some firms to be “born global” so that they engage in international business from day one. EMs are often considered a special case of firms crossing boundaries and the application of these theories of multinational investment to the EMs involves assessing factors that are quite different than may be the case with multinationals from the developed countries (e.g., Aggarwal and Agmon, 1990).

Conceptual dimensions of globalness

In the corporate management literature, the globalness of a firm depends on how it organizes its world-wide business activities. Hamel and Prahalad (1985) expected global companies to have an integrated system for their world-wide distribution activities covering all the key world markets. To Ohmae (1985), a global company, more specifically a ‘triad power’ is the one that has deep penetration and exploitation capabilities in the triad geographic space covering the United States, the EU and Japan with no excessive dependence on any single region. This view of the globalness of a firm seems to be based on a relatively homogeneous perception of demand and technological characteristics of production processes across different key developed country markets.

For Bartlett and Ghoshal (1989), a global firm represents a centralized configuration of foreign operations through an intensive communication network and a complex system of interdependencies/associations to serve the overall group objectives. In their view, a global firm shows a high level of global integration of its foreign value-adding activities. A multinational firm gets transformed into a global firm, as per Porter (1990), if it adopts a globally unified business strategy where its foreign businesses/operations across countries are strategically coordinated. In the absence of such coordination, firms remain just as international or multinational firms.

Though there are diverse views about the globalness of firms as indicated above, one could identify two basic characteristics of the globalness of a firm:

- (i) *Global presence*: A global firm owns and manages businesses in a number of countries spreading across the key-markets of the world. This implies that international firms that operate only in home-region markets or are present in only a few non-home region markets are not considered global firms.
- (ii) *High level of global integration*: A global firm has the ability to manage the activities of its foreign affiliates in an integrated framework designed to leverage differing locational advantages of host countries for promoting/sustaining the group's global competitive position. It means the reformulation of internal organization of a multinational firm around a unified global operation based on integrating/unifying the set of different functions in national operations. A centralized management, a global value chain of integrated global strategies and a standardized marketing mix (i.e., minor customization) for markets are the basic strategic characteristics of a global firm.

Empirical identification of globalness

In a pioneering set of studies, Rugman (2000, 2004, 2005) and Rugman and Verbeke (2004) have carried out a number of empirical exercises to determine the globalness of the world's largest corporations. Their empirical methodology is based on a relatively balanced geographic spread of sales of a corporation among the broad triad regions of the United States, the EU and Asia. Obviously, these scholars have modified the triad power concept of Ohmae (1985) to include the whole of Asian region than just Japan. Specifically, the criterion adopted by these studies for identifying a global firm is that a company should derive at least 20 per cent of its sales in each of the three regions of the triad but less than 50 per cent from any one region. Based on this criterion and also armed with case studies of selected prominent corporations for identifying their global strategy, Rugman came to the conclusion that there are a few global firms with a global strategy among the top 500 largest firms in the world (Rugman, 2005). Most of these firms are overwhelmingly home region oriented within the triad space. As indicated earlier, Rugman (2008) examined the subset of firms from emerging economies in the Fortune Global 500 list and derived the same conclusion about EMs.

However, there are a number of limitations of the empirical approach adopted by Rugman and others in prior literature especially for assessing the global status of an EM.² First, the scope of the global market is generally restricted to the broad triad regions. This appears to be a result of developed countries oriented bias of the world economy and in the resulting management theories (e.g., Ohmae, 1985). By excluding the Latin American, African and transition economies' markets (as per the UNCTAD's regional classification in World Investment Report 2009) these old theories essentially censored the geographical spread of EMs as EMs focused on markets within the developing world. We believe that while discussing the globalness of an EM, the relevant market segments are far broader than the triad regions. This case is especially

² For a detailed discussion of the limitations of these prior approaches to assess the globalness of companies, see for example, Aggarwal et al (2010) and Letto-Gillies (2009).

strengthened given that the economies in these less developed regions have been growing much faster than the developed economies at least for the last couple of decades.

Secondly, even in their restricted geographical criterion, these old theories do not control for the number of host countries in each of the triad regions. For example, it is possible that a firm that operates in single country and another firm that serves multiple countries in each of the triad regions could end up as colleagues in the list of global firms by satisfying the geographical distribution of sales criterion. However, the second firm clearly has a greater degree of globalness than the first one. Thirdly, the idea of a balanced distribution of sales across regions does not necessarily indicate the depth of a global strategy as, for example, sales via exports indicate a lower level of commitment than sales based on direct investment. Fourthly, the actual sales in a region/host location can fluctuate due to several external factors that are independent of the firm's internal decision making process. Therefore, it is important to complement the sales analysis by considering the geographic distribution of investment in fixed or intellectual capital.

Finally, the use of the Fortune 500 dataset to identify globalness of EMs may not be appropriate. This dataset includes firms that are large in a global setting, and purely home-country based resource-intensive companies with little multinationality from a large country can get selected while more internationalized smaller companies may get eliminated. This leads to an inappropriate sample of firms especially for the study of firms from an emerging or small home market and, therefore, to incorrect conclusions about the globalness of EMs. For instance, take the case of Indian firms in the Fortune 500 list for 2004 as considered by Rugman (2008) and one can see that all of the firms are predominantly domestic market oriented firms operating in the resource-intensive energy sector. Given the rise of the internet and related technologies and the resulting rise of global service firms and the growth in the "born-global" phenomenon among firms in recent years, this limitation of using the Fortune 500 firms as a starting sample is likely to be particularly inappropriate.

Our approach³

In this study, we have taken a more nuanced view of the global market by dividing it into developed, developing, and transition economies/regions as classified by the UNCTAD. Our approach is much more practical and appropriate for assessing the globalness of EMs. A global firm is defined as the one that operates in both developed and developing regions with a high level of global integration among affiliates' strategies. A firm that operates in these two broad market segments and covers a relatively large number of host countries is said to possess greater degree of globalness. We have provided detailed geographic breakdowns of sales/assets of a firm wherever such data is available so as to also evaluate the globalness of EIMs in terms of Rugman's criterion. However, given the limited nature of the data on EMs, these firms' operations have also had to be variedly proxied by a range of measures including their overseas investments (Greenfield and acquisitions), number of foreign subsidiaries, foreign sales, and

³ As noted elsewhere (e.g., Aggarwal et al 2010 and Letto-Gillies 2009), measuring the globalness of a firm is a very complex phenomenon as a) international firms are usually fairly complex organizations and b) there may be many dimensions of globalness (e.g., the spread versus depth of foreign sales, assets, production, technology, employees, R&D, etc.). We take an approach that is most practical for emerging multinationals but that still may provide fresh insights and understanding of this new phenomenon.

foreign assets. It should be noted that our approach to identify globalness of a company is based purely on the geographical spread of a firm without any attempt to supplement such analysis with empirical assessments of the global integration of their strategies across host countries.

3. The macro trends in the global spread of EIMs

Before proceeding to the company level analysis, it is relevant to examine the overall geographic patterns of foreign investment from India to get some cues on the global spread of such activities. Table-1 presents the number of host countries for aggregate greenfield and acquisition-linked overseas investments by all Indian firms and their distribution across regions. It is apparent that EIMs' have directed their foreign investment activities into a growing number of host countries in both developed and developing regions. Developing regions, for instance, received greenfield Indian investments into 22 host countries in 1980–89 compared to its 66 host countries in 2000–07. In the developed regions, these greenfield investments expanded from just 9 to 31 host countries over the same periods. The greenfield FDI by EIMs went to 9 transition host countries in 2000–07, compared with only 2 in 1980–89.

The brownfield investment activities of EIMs has also undergone significant spatial diversification in the last decade, with the number of target countries increasing from 21 to 38 in the developing regions and from 14 to 31 in the developed regions between 2000–04 and 2005–09. It would appear from these data that the EIMs are now operating in an expanded and diversified geographical space in terms of their overseas investment activities.

The depth of the regional markets coverage by EIMs can also be seen from the data presented in Table 1. An equivalence of investment shares between developed and developing regions or among sub-regions would suggest that EIMs have made significant investments in all of these different types of markets. EIMs as shown in Table-1 have approximately evenly distributed their greenfield investments between developed and developing regions in 1990–99 while significantly increased their depth into developed regions (which accounted for as much as 66 per cent of the total) during 2000–07. At the sub-regional levels, a diverse spatial pattern of the changing depth of EIMs' greenfield investment activities is observed. Comparing the periods 1990–99 and 2000–07, developing Asia's share in total greenfield investments declined from 43 per cent to just 14 per cent. In fact, except the developing Oceania region, the entire set of sub-regions in developing Asia reported declining shares. In contrast, the share of developed Europe has gained depth/focus with a rise in its share from 31 per cent to over 50 per cent. Developing Latin America and Africa are also found to have increased their greenfield investment shares of EIM investments between 1990–99 and 2000–07, as have the transition economies and the developed North American regions.

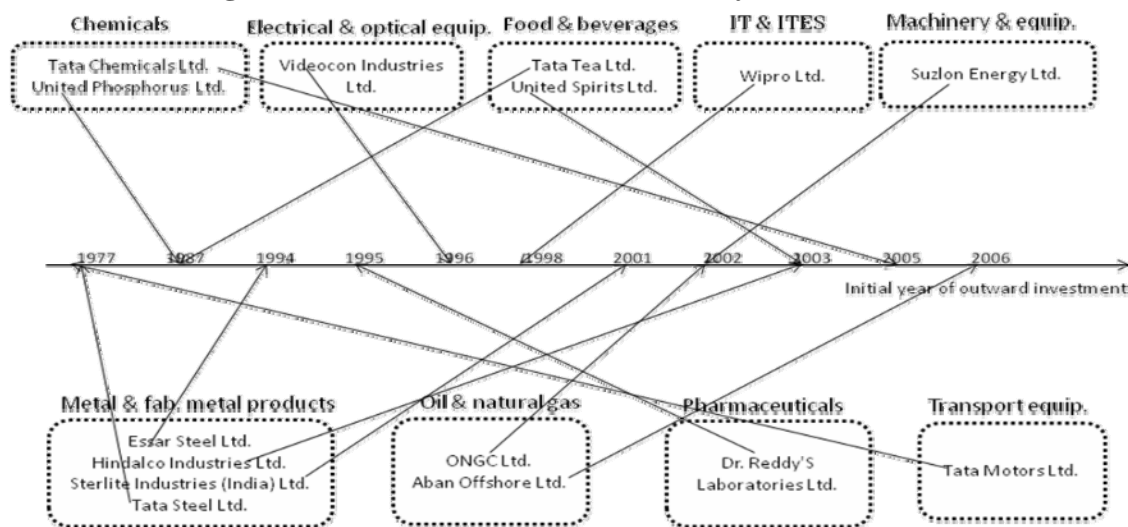
The changing regional patterns of brownfield investment further support the finding that EIMs are now focusing more on distant markets than markets close to the home-region. Between 2000–04 and 2005–09, developing Asia's share fell by 62 per cent to around 8 per cent while that of the developed North American (110 per cent) and European (231 per cent) regions increased significantly.

The rising shares of distant countries in EIMs' greenfield and brownfield investments and declining shares of the developing Asia tends to indicate that EIMs are no longer looking at the springboard home-region for the further growth of their internationalization process. Pradhan and Singh (2010) confirm that the number of recent acquisitions done by EIMs tend to grow positively with the physical distance of host countries from India. With EIMs opening up to an increasing number of markets through overseas investments, there is a distinct possibility that some or many of the EIMs have or are turning into global firms. In the next section, a selected group of EIMs are examined to see if they indeed show a global profile in their activities.

4. The Globalness of EIMs: Enterprise-level evidence

While thousands of Indian companies have undertaken overseas investments in the first decade of the twenty-first century, it makes practical sense for us here to concentrate on a selected number of Indian firms that have undertaken relatively larger quanta of overseas investment. This study identifies the top fifteen outward investing Indian companies based on company-level OFDI stock in greenfield overseas projects and overseas acquisitions⁴. Unexpectedly, this selection process ends up with firms' representing all the three categories of economic activity, primary, secondary and tertiary sectors, covering nine individual industries. The sectoral diversities of top EIMs as listed in Figure-1 range from low technology-based industries like food and beverages to R&D-intensive industries like pharmaceuticals, natural resource-based industry like oil & natural gas and services, and a high-tech sector like information technologies. This shows that the rise of EIMs is sectorally a broad-based phenomenon. Moreover, the pioneering role of the domestic business groups in the growth of EIMs is also indicated by the fact that 14 of the firms (except ONGC) belong to various business groups with the conglomerate Tata Group alone accounting for as many as four top EIMs.

Figure-1 Initial Year of Outward FDI by Selected EIMs



⁴ OFDI stock include greenfield investment undertaken during 1961–2007 (up to March) and value of acquisition done during 2000–2009 (up to June). We believe that these fifteen EIMs on average reflect OFDI patterns among large Indian companies (just as the Dow-Jones 30 stock index is widely considered to represent the whole US stock market).

Table-1 Regional investment allocations by all Indian companies

Host region	Greenfield foreign investment by all Indian companies						Brownfield investment in foreign acquisitions by all Indian companies			
	Number of host countries			Regional shares in percentage			Number of target countries		Regional shares in percentage	
	1980—89	1990—99	2000—07*	1980—89	1990—99	2000—07*	2000—04	2005—09**	2000—04	2005—09**
Developing economies	27	49	66	56.91	53.52	28.61	21	38	41.81	10.53
Africa	9	17	26	16.75	9.47	12.14	8	10	21.54	2
Eastern Africa	6	7	8	3.24	6.73	8.88	2	5	0.8	1.1
Middle Africa			2			0.26	1	2	8.18	0
Northern Africa	1	2	5	0.76	1.21	2.08	2	2	12.51	0.44
Southern Africa		3	3		0.65	0.1	1	1	0	0.46
Western Africa	2	5	8	12.75	0.87	0.83	2		0.04	
Latin America and Caribbean	1	9	10	0.12	0.92	2.53	3	9	0.07	0.94
Caribbean		2	4		0.09	0.07	1	2	0	0
Central America	1	3	3	0.12	0.26	0.35	1	2	0	0.21
South America		4	3		0.57	2.1	1	5	0.07	0.73
Asia	15	22	29	40	43.13	13.93	9	19	20.19	7.59
Eastern Asia	1	4	5	0.02	14.02	2.24	3	4	2.02	1.5
Southern Asia	4	5	8	9.82	6.87	0.8	1	3	13.64	0
South-Eastern Asia	5	6	8	25.26	8.5	8.19	5	7	4.53	5.77
Western Asia	5	7	8	4.91	13.73	2.69		5		0.31
Oceania	2	1	1	0.05	0	0.01	1		0.01	
Economies in transition	2	10	9	19.41	2.42	5.2	1	4	23.19	0.23
Asia	1	7	6	18.85	1.36	0.68		2		0.13
Europe	1	3	3	0.56	1.05	4.51	1	2	23.19	0.1
Developed economies	9	29	31	23.68	44.06	66.2	14	31	35	89.24
Northern America	1	3	3	11.45	12.07	13.62	2	3	17.39	36.55
Asia		2	2		1.19	0.02		2		0.8
Europe	8	22	24	12.23	30.69	50.11	11	24	15.21	50.36
Oceania		2	2		0.1	2.44	1	2	2.4	1.53
Grand Total	38	88	106	100	100	100	36	73	100	100
Mimeo Item (in \$ millions):										
Value of total investment/acquisition				152	3351	24440			7331	61576

Note: * Data for 2001 is only from January to March, 2002 is from October to December and 2007 data is from January to March; ** Data for 2009 is from January to June; regional classification of countries is as per the UNCTAD in World Investment Report 2009.

Source: (i) Calculation for Greenfield investments is based on a dataset compiled from unpublished remittance-wise information from Reserve Bank of India, published reports of Indian investment centre and unpublished firm-level information from Ministry of Commerce; (ii) Calculation for Brownfield investments is based on a dataset constructed from different reports from newspapers, magazines and financial consulting firms like Hindu Business Line, Economic Times, Financial Express, Business World, Grant Thornton India, etc.

The information for the initial years of these selected EIMs' foreign venturing through OFDI indicates that the majority of the top outward investing firms from India are recently internationalizing entities. There are only four EIMs that began their OFDI operations before 1994, another four EIMs initiated OFDI projects in the 1990s and the remaining seven EIMs in the 2000s. Among these top EIMs, manufacturing firms are the early movers in starting outward foreign investments in the 1970s, followed by service (i.e. IT) firms in the 1990s, and energy firms (i.e. oil & natural gas) in the 2000s.

Table-2 Foreign Sales and assets of selected EIMs and international firms, 2008-10

Company	Home economy	Industry	Sales (US\$ million)		Assets (US\$ million)		Year
			Foreign	FPT	Foreign	FPT	
BASF AG	Germany	Chemicals	50925	55.9	43020	60.8	2008
United Phosphorus Ltd. (Rajju Shroff Group)	India	Chemicals	957	78.2			2009-10
Tata Chemicals Ltd. (Tata Group)	India	Chemicals	889	41.8	1391	45.7	2009-10
General Electric	United States	Electrical & optical equipment	97214	53.3	401290	50.3	2008
Videocon Industries Ltd. (Videocon Group)	India	Electrical & optical equipment	244	11.6	428	10.1	2008-09
Anheuser-Busch Inbev SA	Netherlands	Food & beverages	18699	79.4	106247	93.9	2008
Tata Tea Ltd. (Tata Group)	India	Food & beverages	659	68.9	1166	70.4	2008-09
United Spirits Ltd. (UB Group)	India	Food & beverages	239	21.8	227	10.3	2008-09
Wipro Ltd. (WIPRO Group)	India	IT & ITES	4667	77.2			2009-10
Suzlon Energy Ltd. (Suzlon Group)	India	Machinery & equipment	3679	80.1	3897	71.5	2009-10
Gamesa Corporación Tecnológica, S.A.	Spain	Machinery & equipment	2524	45.9	1781	25.9	2008
ArcelorMittal	Luxembourg	Metal & metal products	112689	90.2	127127	95.5	2008
Tata Steel Ltd. (Tata Group)	India	Metal & metal products	16827	73.8	12808	63.9	2009-10
Hindalco Industries Ltd. (Birla Aditya Group)	India	Metal & metal products	10303	79.3	7038	67.7	2008-09
Sterlite Industries (India) Ltd. (Sterlite Inds. Group)	India	Metal & metal products	2006	35.2	232	3.8	2009-10
Essar Steel Ltd. (Essar (Ruia) Group)	India	Metal & metal products	566	22.6	45	1.5	2008-09
Royal Dutch/Shell Group	United Kingdom	Oil & Natural Gas	261393	57.0	222324	78.7	2008
O N G C Ltd. (Central Govt. - Commercial Enterprise)	India	Oil & Natural Gas	3614	14.4	7697	25.1	2008-09
Aban Offshore Ltd. (Aban Lloyd Group)	India	Oil & Natural Gas	642	94.2	2777	76.3	2008-09
Roche Group	Switzerland	Pharmaceuticals	42114	98.9	60927	85.2	2008
Dr. Reddy's Laboratories Ltd. (Dr. Reddy's Group)	India	Pharmaceuticals	1276	83.2	637	38.9	2009-10
Toyota Motor Corporation	Japan	Transport equipment	129724	63.6	169569	57.2	2008
Tata Motors Ltd. (Tata Group)	India	Transport equipment	12197	59.2	9717	54.4	2009-10

Note: FPT is the percentage share of foreign to total; Group affiliation for Indian companies is provided in the parenthesis.

Source: Data for non-Indian companies is from UNCTAD (2010) World Investment Report 2010 except for Gamesa Corporación whose data is from the company annual report and information on Indian companies is obtained from respective companies' annual reports and corporate presentations.

These profiles of the majority of India's leading EIMs confirmed that they have only recently emerged in the world market and have relatively little experience in foreign value adding activities as compared to their advanced country counterparts. For example, outward FDI by the Singer Sewing Machine began in the late 1800s, British Petroleum Company in 1908, International Business Machines in 1910s, Alcoa Inc. in the 1920s, BASF AG in 1969, and ThyssenKrupp AG in 1978. Of course, the first limited stock company was the British East India Company started in the 18th century to make foreign investments.

Besides being recently internationalized, majority of leading EIMs have foreign assets and sales that are quite small when compared to the foreign assets and sales of world's leading multinationals as shown in Table-2. However, EIMs' foreign assets and sales account for a considerable proportion of their global activities, proportions that are similar to the foreign proportions of world's top multinationals. About 53/44 per cent of the combined sales/assets of the selected 15 EIMs are accounted by their foreign subsidiaries. In terms of the share of overseas subsidiaries in total sales, Aban Offshore is the most globalized EIM (94 per cent), followed by Dr. Reddy's Laboratories (83 per cent), Suzlon Energy (80 per cent), Hindalco Industries (79 per cent), United Phosphorus (78 per cent), Wipro (77 per cent), and Tata Steel (74 per cent). Interestingly, these EIMs have higher foreign sales shares than the world's leading multinationals such as Toyota Motor (63 per cent), Royal Dutch (57 per cent), BASF (56 per cent) and General Electric (53 per cent). Also based on the proportion of assets held overseas, EIMs like Aban Offshore, Suzlon Energy, Tata Tea, Hindalco Industries and Tata Steel also have higher proportions than the leading multinationals such as BASF, Toyota Motor and General Electric. This greater multinationality of EIMs should, in some sense, not be surprising given the still relatively small size of their home markets compared to the rest of the world.

When one considers Rugman's (2008) suggestion that a multinational firm should have at least 10 per cent of its assets or production abroad, all of the leading outward investing Indian companies in our sample are international firms, with the exception of Essar Steel. An examination of these EIMs for their presence in both developing and developed regions in Table-3 shows that EIMs in all regions (except Essar Steel) and have subsidiaries in both types of regions. Further, six of the fifteen EIMs have a presence in the transition economies. As a group, these EIMs have a greater proportion of their subsidiaries in developed regions (601 subsidiaries, 62 per cent), followed by developing regions (348 subsidiaries, 36 per cent) and transition economies (16 subsidiaries, 2 per cent). Ten of the fifteen EIMs have relatively greater number of subsidiaries in the developed regions with another EIM giving equal importance to the developing and the developed regions.

It seems that majority of top Indian multinationals are now making efforts to have a broad-based geographic presence, unlike the past when they concentrated on the developing regions. As per the Harvard Business School's old criterion that classify a firm as a multinational enterprise (MNE) if it has subsidiaries in at least six countries (Vaupel and Curhan, 1969), 13 EIMs qualify to be MNEs and global firms. Just three EIMs (Sterlite Industries, Aban Offshore and Essar Steel) stood to be eliminated from the list of global firms as per this criterion. However, there is considerable inter-firm variation in the number of foreign countries in which EIMs operate through OFDI. While Tata Steel with foreign subsidiaries in 46 countries emerged as the top

global firm from India, Essar Steel with operation in just two countries is clearly not a global player.

Table-3 Location of Foreign Affiliates of Selected EIMs

EIMs	No. of foreign affiliates				No. of host countries			
	Developing	Transition	Developed	Total	Developing	Transition	Developed	Total
Aban Offshore Ltd.	18 (81.8)		4 (18.2)	22 (100)	2 (50.0)		2 (50.0)	4 (100)
Dr. Reddy's Laboratories Ltd.	12 (30.0)	3 (7.5)	25 (62.5)	40 (100)	7 (36.8)	1 (5.3)	11 (57.9)	19 (100)
Essar Steel Ltd.	2 (100)			2 (100)	2 (100.0)			2 (100)
Hindalco Industries Ltd.	20 (33.3)		40 (66.7)	60 (100)	5 (26.3)		14 (73.7)	19 (100)
ONGC Ltd.	5 (13.2)	9 (23.7)	24 (63.2)	38 (100)	3 (27.3)	2 (18.2)	6 (54.5)	11 (100)
Sterlite Industries (India) Ltd.	7 (63.6)		4 (36.4)	11 (100)	2 (40.0)		3 (60.0)	5 (100)
Suzlon Energy Ltd.	31 (35.6)	1 (1.1)	55 (63.2)	87 (100)	10 (38.5)	1 (3.8)	15 (57.7)	26 (100)
Tata Chemicals Ltd.	11 (32.4)		23 (67.6)	34 (100)	5 (50.0)		5 (50.0)	10 (100)
Tata Motors Ltd.	26 (34.7)	1 (1.3)	48 (64.0)	75 (100)	8 (32.0)	1 (4.0)	16 (64.0)	25 (100)
Tata Steel Ltd.	82 (25.9)		235 (74.1)	317 (100)	20 (43.5)		26 (56.5)	46 (100)
Tata Tea Ltd.	6 (18.8)		26 (81.3)	32 (100)	4 (36.4)		7 (63.6)	11 (100)
United Phosphorus Ltd.	29 (48.3)	1 (1.7)	30 (50.0)	60 (100)	16 (50.0)	1 (3.1)	15 (46.9)	32 (100)
United Spirits Ltd.	21 (26.6)		58 (73.4)	79 (100)	7 (58.3)		5 (41.7)	12 (100)
Videocon Industries Ltd.	24 (96.0)		1 (4.0)	25 (100)	8 (88.9)		1 (11.1)	9 (100)
Wipro Ltd.	54 (65.1)	1 (1.2)	28 (33.7)	83 (100)	20 (55.6)	1 (2.8)	15 (41.7)	36 (100)
Grand Total	348 (36.1)	16 (1.7)	601 (62.3)	965 (100)	38 (50.7)	3 (4.0)	34 (45.3)	75 (100)

Note: Percentage share in parenthesis; regional classification of countries is as per the UNCTAD in World Investment Report 2009.

Source: Calculation based on annual reports and corporate presentations of individual companies.

The deployment of the assets and sales by our EIMs across different geographies as shown in Table 4 further reveals the global character of these new players. The available data on sales distribution indicates that these EIMs have been broadly successful in securing sales in different regions and are actually less dependent on the home region (except three Tata group companies, Tata Motors, Tata Chemicals and Tata Tea). In fact EIMs like Suzlon Energy, United Phosphorus, Wipro, and Dr. Reddy's Laboratories are more dependent on North America or Europe for their global sales than home region markets.

If we modify Rugman's sales criteria for a global firm that it should have at least 10 per cent of its sales in each of the triad regions and also in the rest of the world but less than 50 per cent in any one region, all EIMs listed in Table-4 (except Tata Chemicals) would appear to be global firms. These EIMs have presence in all the four regions (triad as well as non-triad regions) and

not a single region accounts for more than 50 per cent of their global sales. The same criterion when applied to the regional distribution of assets, EIMs reflected greater market bias to the triad regions with the rest of the world accounting for less than 10 per cent of their global assets. Tata Chemicals, Tata Tea and Dr. Reddy's Laboratories located at least 10 per cent of their assets in each of the triad regions while Suzlon Energy and Dr. Reddy's Laboratories show more market focus on Europe and Asia respectively. Tata Motors turns out to be a bi-regional player targeting Europe and Asia evenly.

Table-4 Geographical composition of sales and assets of selected EIMs

EIM	Year	Revenue (Percentage shares)				Assets (Percentage shares)			
		North America	Europe	Asia	Rest of World	North America	Europe	Asia	Rest of World
Tata Motors Ltd.	2009-10	10.9 ^a	26.7	40.8 ^c	21.5	3.3 ^a	44.7	45.6 ^c	6.4
Suzlon Energy Ltd.	2009-10	18.8 ^a	43.7	27.0 ^d	10.5	9.5 ^a	53.1	33.5 ^d	4.0
Tata Chemicals Ltd.	2009-10	17.4	13.8	66.8	2.0	40.7	11.6	41.2	6.5
Tata Tea Ltd.	2008-09	29.8 ^a	25.6 ^b	31.1 ^c	13.5	20.3 ^a	47.2 ^b	29.6 ^c	3.0
United Phosphorus Ltd.	2009-10	22.5	28.6	21.8 ^c	27.1				
Wipro Ltd.	2009-10	44.1 ^a	20.9 ^b	22.8	12.2				
Dr. Reddy's Laboratories Ltd.	2009-10	30.3	24.1	16.8 ^c	28.8	14.7	17.7	61.1 ^c	6.4

Note: a-data refer only to USA; b- only to UK; c-only to India; d-only to India & China.

Source: Same as Table-3.

6. Discussion and conclusions

Emerging multinationals (EMs) are now claiming much greater international attention having invested massive amounts overseas in new ventures and existing assets especially in the last decade. The impressive growth of OFDI from emerging markets has raised the issue of the degree of globalness of the EMs. The prior literature on this topic seems inadequate because of its developed country biases. For example, the existing empirical studies are based on a Triad-focused and limited geographical criterion of sales and examine only a limited number of EMs drawn from a less than representative database (e.g., the Fortune 500). These studies have perhaps erroneously concluded that EMs are at best regional players.

The present study has revisited the issue of globalness of EMs based on the analysis of outward investing Indian firms. In the face of a number of limitations related to the globalness criterion adopted in prior literature, this paper employs an alternative criterion of globalness that is more practical and suitable for assessing the globalness of EMs. The criterion used in the present study to determine the globalness of emerging Indian multinationals (EIMs) has a neutral view about global markets, uses a representative sample of outward investing firms, and considers more indicators than just sales.

The evaluation of the globalness of EIMs based on the geographic spread of aggregate outward investments from the home country highlights the fact that Indian firms are increasing the number of host country markets across the developed and developing regions. EIMs are found to

have been attaching considerable importance to the developed markets allocating more of their overseas investments in new projects and acquired assets in the developed regions during the last decade. These overall figures on Indian OFDI suggest that EIMs are improving their potential globalness by pursuing a strategy of serving wider geographic segments across the globe.

Further analysis of a set of fifteen leading EIMs, found that the majority of these firms had presence in both the developed and developing regions through subsidiaries and possessed comparable degrees of foreign operations (the ratio of foreign sales/assets to firms' global sales/assets) as the world's leading multinationals. Interestingly, most (80%) of these EIMs have been more dependent on non-home regions for their total sales than their home region. This suggests that EIMs are turning into truly global firms at least in their market focus. In terms of asset distribution, EIMs like Suzlon Energy and Tata Tea have more assets in non-home regions while Tata Motors is a bi-regional players. Indeed, if we use a slightly modified sales criteria for a global firm, i.e., it should have at least 10 per cent of its sales in each of the triad regions and in the rest of the world, but less than 50 per cent in any one region, all of our leading EIMs listed in Table-4 (except Tata Chemicals) would appear to be global firms. These EIMs have a significant presence in all the four regions (triad as well as non-triad regions) and not a single region accounts for more than 50 per cent of their global sales.

Overall, the above discussion suggests that in recent years a number of Indian firms have emerged as global firms. A number of these firms are less dependent on their home region or are turning into non-home region based players. It seems that EIM globalization is not only being driven by economic and value enhancing reasons, it is also being driven by a focus on the development of strategic advantages and longer-term survival. Thus, it would be worthwhile to examine in future studies how these non-home region EIMs differ from home-region based EIMs in terms of management strategy, business practices, human resource policies, and market performance. The finding in this paper should be useful in improving not only our understanding of MNEs from the emerging markets, but should also be useful in enhancing the traditional theories of the MNE.

References

- Aggarwal, R. and T. Agmon, (1990), 'The International Success of Developing Country Firms: Role of Government-Directed Comparative Advantage', *Management International Review*, 30 (2), pp. 163–180.
- Aggarwal, R., (2010), 'Indian Integration with the World Economy: Important Role of M&A and Corporate Restructuring', *Review of Market Integration*, (December), forthcoming.
- Aggarwal, R., J. Berrill, E. Hutson, and C. Kearney, (2010), 'Taxonomy of Multinational Corporations: Implications for Enhancing Scholarship', Working Paper, Trinity College, Dublin, Ireland.
- Bartlett, C. and S. Ghoshal (1989), *Managing Across Borders: The Transnational Solution*, Boston, MA: Harvard Business School Press.
- ESCAP/UNCTC (1985), *Transnational Corporations from Developing Asian Economies*. Bangkok: United Nations.
- Gammeltoft, P., J.P. Pradhan and A. Goldstein (2010), 'Emerging Multinationals: Home and Host Country Determinants and Outcomes', introduction to the guest edited special issue on emerging multinationals, *International Journal of Emerging Markets*, 5(3/4), pp. 254–265.
- Hamel, G. and C.K. Prahalad (1985), 'Do you really have a global strategy?', *Harvard Business Review*, 63(4), pp. 139–148.
- Huchet, J-F and J. Ruet (2009), 'Chinese and Indian Multinationals Out to Conquer the World', in C. Jaffrelot (ed.) *The Emerging States: The Wellspring of a New World Order*, pp.186–196, Columbia: Columbia University Press.
- Letto-Gillies, Grazia, (2009), 'Conceptual Issues behind the Assessment of the Degree of Internationalization', *Transnational Corporations*, 18(3), pp. 59–83.
- Li, P.P. (2007), 'Toward a Theory of Multinational Evolution', *Journal of Management*, 13(2), pp. 296–318.
- Mathews, J. A. (2002), *Dragon Multinational: A New Model for Global Growth*, New York: Oxford University Press.
- Ohmae, K. (1985), *Triad Power: The Coming Shape of Global Competition*, New York: The Free Press.
- Oman, C. (1986), *New Forms of Overseas Investment by Developing Countries: The Case of India, Korea and Brazil*. Paris: OECD.
- Porter, M.E. (1990), *The Competitive Advantage of Nations*, New York: The Free Press.
- Pradhan, J.P. (2008), 'India's Emerging Multinationals in Developed Region', *MPRA Paper*, No. 12361, University Library of Munich.
- Pradhan, J.P. and N. Singh (2010) 'Group Affiliation and Location of Indian Firms' Foreign Acquisitions', *MPRA Paper*, No. 24018, University Library of Munich.
- Ramamurti, R. and J. V. Singh (2009), *Emerging Multinationals in Emerging Markets*. New York: Cambridge University Press.
- Rugman, A. (2000), *The End of Globalization*, London and New York: American Management Association & Random House Business Books.
- Rugman, A. (2004), 'A perspective on regional and global strategies of multinational enterprises', *Journal of International Business Studies*, 35(1), pp. 3–18.
- Rugman, A. (2005), *The Regional Multinationals, MNEs and "Global" Strategic Management*, Cambridge: Cambridge University Press.

- Rugman, A. (2008) 'How global are TNCs from emerging markets?' in Sauvant, K.P. with K. Mendoza and I. Ince (2008) (eds.), *The Rise of Transnational Corporations from Emerging Markets*, Cheltenham: Edward Elgar, pp. 86–106.
- Rugman, A. and A. Verbeke (2004), 'Regional transnationals and Triad strategy', *Transnational Corporations*, 13(3), pp. 1–20.
- Sauvant, K.P. and J.P. Pradhan with A. Chatterjee and B. Harley (2010) (eds.), *The Rise of Indian Multinationals: Perspectives on Indian Outward Foreign Direct Investment*, New York: Palgrave Macmillan (forthcoming).
- Sauvant, K.P. with K. Mendoza and I. Ince (2008) (eds.), *The Rise of Transnational Corporations from Emerging Markets*, Cheltenham: Edward Elgar.
- UNCTAD (2006), *World Investment Report 2006, FDI from Developing and Transition Economies: Implications for Development*, New York and Geneva: United Nations.
- UNCTAD (2007), *Global Players from Emerging Markets: Strengthening Enterprise Competitiveness through Outward Investment*, New York and Geneva: United Nations.
- UNCTAD (2009), *World Investment Report 2009, Transnational Corporations, Agricultural Production and Development*, New York and Geneva: United Nations.
- UNCTAD (2010), *World Investment Report 2010, Investing in a Low-Carbon Economy*, New York and Geneva: United Nations.
- Vaupel, J.W. and J. P. Curhan (1969), *The Making of Multi-national Enterprise*, Division of Research, Graduate School of Business Administration, Cambridge: Harvard University.