AN EXPLORATION INTO THE HOME FIELD, GLOBAL ADVANTAGE AND LIABILITY OF UNFAMILIARNESS HYPOTHESES IN MULTINATIONAL BANKING

Fazdian SUFIAN

The paper seeks to expand the efficiency paradigm of the eclectic theory in multinational banking within the context of a developing country banking sector. We employ the Data Envelopment Analysis (DEA) method to examine the efficiency of multinational banks operating in the Malaysian banking sector from 1995 to 2007. By employing the panel regression analysis, we then examine the impact of origins on bank efficiency, while controlling for other internal and external factors. The DEA results indicate that the dominant source of cost inefficiency is technical rather than allocative, implying that the managers of Malaysian banks have been efficient at choosing the proper input mix given the prices, but have been relatively inefficient at utilising all factor inputs. During the period under study, we find that the foreign banks have been relatively more cost efficient compared to their domestic bank peers attributed to superior technical efficiency levels. On the other hand, the domestic banks have been more allocatively efficient compared to their foreign bank counterparts. The results seem to suggest that the impact of banking sector regulation is more pronounced on the foreign banks compared to their domestic bank peers. The results from the panel regression analysis suggest that non-interest income, capitalisation, and bank size are positively associated with bank efficiency, while branch network, credit risk, and overhead expenses exert negative impacts. However, the impacts are not uniform across the different types of efficiency measures estimated. We find that the multinational banks have been relatively more cost and technically efficient compared to their domestic bank counterparts. Within the context of the Malaysian banking sector, the empirical findings from this study provide support to the 'limited form' of the global advantage hypothesis. On the other hand, the liability of unfamiliarness and home field advantage hypotheses are rejected.

INTERVIEW

NON-LINEAR GROWTH: THE ROAD AHEAD FOR INDIAN IT OUTSOURCING COMPANIES
THE COGNIZANT EXPERIENCE: IN CONVERSATION WITH R CHANDRASEKARAN, PRESIDENT AND MD, GLOBAL DELIVERY, COGNIZANT

Y.L.R. MOORTHI

Indian IT outsourcing companies (major among them being the SWITCH companies - Satyam, Wipro, Infosys, TCS, Cognizant and HCL) have grown in the past through 'incremental' initiatives such as increasing their head count and earning proportional revenues. But the future may perhaps lie in the realm of 'disruptive' initiatives and non-linear growth. This paper first outlines the disruptive and the incremental initiatives of the SWITCH companies and then follows up with an interview with R Chandrasekaran, President and MD, Global Delivery, Cognizant. Some of the mechanisms of incremental growth adopted by SWITCH companies include rapid growth - assisted by an English speaking and relatively low wage force, technical education and a proactive government policy, the spotting of potential and quickly building on the outsourcing market; policies to attract, train and retain manpower; increasing the depth of engagement with existing customers; using solution accelerators or re-usable components, developing standardised templates; training employees on new requirements such as consulting; cloud computing; providing higher end of the spectrum of services; using nuanced and intelligent pricing; and building in flexibility to execute the same strategy differently. The more difficult 'disruptive' initiatives include branding, focusing on product IP, acquiring the deep domain knowledge required for end-to-end business consulting, and expanding their geographical spread and skill base through acquisitions. Sharing the Cognizant growth story with YLR Moorthi, R Chandrasekaran, President and MD, Global Delivery, Cognizant, spoke about Cognizant's key operating principles, which include customer-centricity and their unique Two-in-a-Box operating model where two people, one onsite and another offshore, are made jointly responsible in a client engagement. He also spoke of the company's successful non-linear initiatives such as service oriented architecture (SOA), cloud architecture, consulting and 'tuck-under' acquisitions. The challenges to the organisation include tapping into the talent pool outside India and bringing in global skills and managing the scale of the growing organisation while retaining its culture.

ROUND TABLE

HOW DO NEW VENTURES IN MNC ECOSYSTEMS PROACTIVELY OVERCOME INTERFIRM ASYMMETRIES?

Shameen PRASHANTHAM and K. KUMAR

Several contemporary large multinational corporations (MNCs) have developed interfirm ecosystems that are likely to attract a heterogeneous set of actors, including new ventures. New ventures are asymmetric vis-à-vis the focal MNC in terms of organisational size, structure and power which could be an impediment to the development of social capital between these sets of firms. And yet MNCs are potentially a source of novel information, opportunities and ideas.