Compulsion of Going Global

Ruby Sharma
Lecturer in Commerce, M. M. International School, Sadopur (Ambala)

Abstract

Topic of globalization has been around in varying forms since the beginning of the industrial revolution in the 18th century. However, globalization has accelerated over the last 2 decades and what we are witnessing today is not just a continuation of a centuries-old trend. The erosion of barriers for cross-border flow of people, goods, services, and capital supported by instant global communication and rapid flows of information has created a new economic reality that is integrating markets around the world. This emerging global network has fundamentally transformed how the economies of nations around the world operate. Although its reach and benefits are not universal, globalization is now the major driver of world economic growth and prosperity. No country is immune from its consequences, and no company that wants to operate across borders can afford to ignore its impact.

In modern era compulsion of going global is increasing as we can say it becomes mandatory for companies because globalization opens new growth and profit opportunities for established and new players alike. At the same time, globalization presents new and vexing challenges, driven primarily by the ever-increasing complexity of business problems that business leaders need to address. As I have noted during study, the complexity embedded in globalization fundamentally changes the task of managing a global enterprise.

Keywords

Globalization, MNC (Multinational Company), IMF(International Monetary Fund), ASEAN (Association of Southeast Asian Nations), ITC (Imperial Tobacco Company of India Limited), HDFC (Housing Development Finance Corporation), CAGE (The cultural, administrative, geographical and economic analysis), GDP (gross domestic product), CRISIL (Credit Rating information service of India), ONGC (Oil and Natural gas corporation Ltd.), ISRO (The Indian Space Research Organization).

Introduction

The scenario of India Company has incalculably improved in the last few decades. The number of Indian companies has increased at a very striking rate. It has been observed that more and more international companies are willing to have their place of business in India.

Due to entries of MNCs the level of competition also increases. Many Indian companies having good capital, infrastructure, efficient management and they are successful in their domestic market but to become successful in international market, companies' needs to understand overseas strategies, government norms, market structure and the most important is consumer behavior. In the same way entries of MNCs in India increases the market war and competition for domestic companies at domestic level also. Globalization is an opportunity for our domestic companies as well as for consumers also because it enables to use our efficiency and capacity at a large level. Going global provide many opportunities as well put many threats to domestic companies like shortage of capital, political risk, change in demand etc. so, going global is a boon for some companies and some companies are trying to face it. I have incorporated the effects of globalization in my study. I have studied the challenges that Indian companies face from globalization in my study.

Source of Study

As there are many sources of study are available in the market and on internet also. The two main sources of study are primary source and secondary source. I have used secondary source for my study. Some data has been taken from different sites available on internet and some date has been taken from newspaper and international magazines.

Objective of Study

The main objective of my study is:

i. To understand why it is important for Indian Companies to adopt globalization.
ii. To know the challenges faced by Indian companies in International market.

Concept of Going Global

Before understanding the concept compulsion of Going Global, we must understand what Globalization actually is. Globalization can be defined as the "expansion of global linkages, organization of social life on a global scale, and growth of global consciousness, hence consolidation of world society"

Basically, globalization connects economics, culture, social well-being and ecology from people and places around the world through trade, traveling, media and technology. Because of the way things have fallen in to place, especially over the last few decades, our world has divided into what is known as the "global North," which are the growing and wealthier nations, and the "global South," which are the poorer and struggling nations. The global North is benefitting because of the trades, imports and all of the multi-national corporations like Walmart and their high revenues. Economics is very important because Walmart and other MNCs are looking for new free markets and countries where production of goods is extremely cheap. The countries that are generally in the global South have low wages and “soft” environmental regulations, and this is the reason why they are benefitting the least from globalization. Two decades ago, there were around 7,000 MNCs, but today there are around 65,000. Many people have realized that MNCs really are the answer to how to succeed in a global world and smaller shops have simply become too outdated.

Example: Global expansion is also more complicated to manage. In the 1990s Boise Cascade, a large, vertically integrated wood-products manufacturer in the U.S., decided to expand to Brazil, where it acquired timberlands and built a new mill. Operating in Brazil, however, turned out to be much more difficult than expected because of regulatory, political, and cultural differences. Management attention, including frequent trips to Brazil, took far more time than for similar plants at home. While Boise was able to make the business profitable after a few years, the profits were not high enough to justify the added investment needed and the disproportionate drain on top management time. In 2008 Boise threw in the towel and sold the Brazilian operation to a local paper company for $47 million.

The lesson to be drawn from these experiences is that most companies should not treat international expansion as a default growth option. Like diversification it comes with many challenges. Few companies have the size or management capabilities to make a success of going overseas and for most it may well be more profitable to look closer to home.

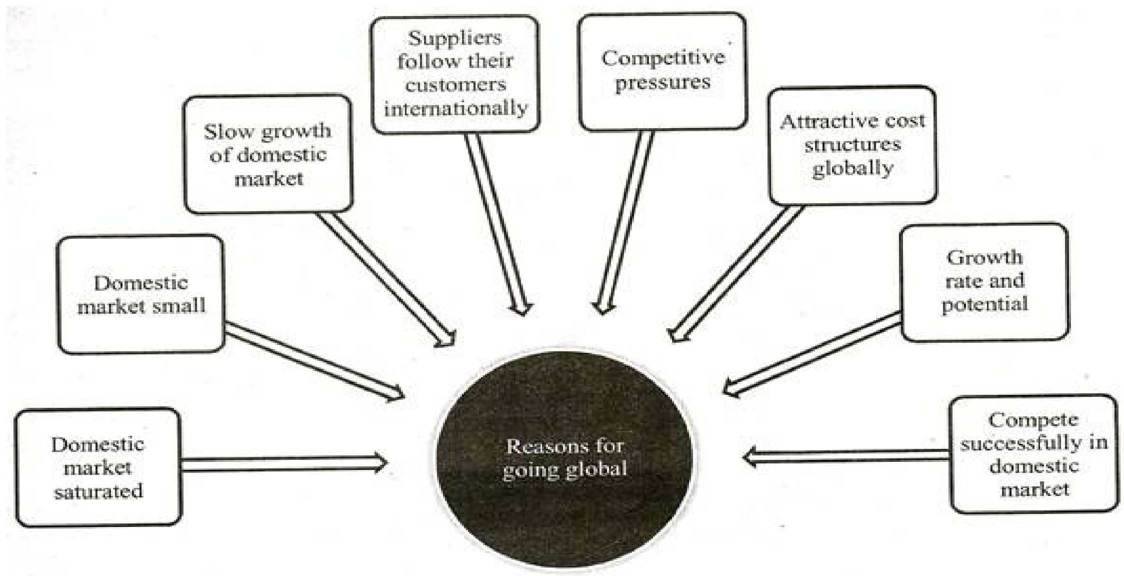
Reasons Why Most Companies Prefer to Go Global

Global market is not a new place for India. India is progressing well to gain the lost glory, gaining steam after independence in 1947 and accelerating even more after Economic Reforms of 1991. It is striving hard to be among the leading exporter of the world. Indian participation in global trade has increased manifolds in last two decades; though taking it to its true potential demands a thorough strategic planning and arduous execution, as most of the low hanging fruits have already been plucked. Reasons Why Companies Go Global is

1. Domestic Market Saturated
2. Domestic Market Small
3. Slow Growth of Domestic Market
4. Suppliers follow their Customers Internationally
5. Competitive Pressures
6. Attractive Cost Structures Globally

7. Growth Rate and Potential
8. Compete Successfully in Domestic Market.

Traditionally many companies have stayed focused in their domestic markets and have refrained from competing globally. They know their domestic markets better and understand that they have to make fundamental changes in the way they work to be able to compete globally. But increasingly companies are choosing or are being forced to sell their products in markets other than their domestic markets. It has become imperative for most companies to compete in foreign markets.



Reasons for Companies Going Global

i. Domestic markets are saturated and there is pressure to raise sales and profits. Most companies have very ambitious sales and profit targets. If such figures have to be realized, companies have to move out of their domestic markets.

ii. Domestic markets are small. Companies which have ambitions to become big will have to look for bigger markets outside their boundaries.

iii. Domestic markets are growing slowly. Most companies are no longer content to grow incrementally. If such companies have to achieve high growth rates, they have to obtain some of their sales from international markets.

iv. In some industries like advertising, customers want their suppliers to have international presence so that suppliers can contribute in most of the markets where the buyer is operating. For instance, a multinational will choose an advertising agency which has a presence in all the markets where the multinational is selling its product. The customer does not want the hassle of hiring a separate advertising agency for each of its markets. This process will be replicated in more industries.

A multinational company seeking materials and equipment's would want its supplier to supply to all its international manufacturing locations. The supplier is forced to develop competencies and resources at many international locations to be able to serve the international manufacturing locations of its buyer.

v. Some companies will have to move out of their domestic markets when their competitors have done so, if they want to maintain their market share. If the competitor is allowed to pursue its international growth alone, the competitor is likely to plough back some of the earnings from its international operations to the domestic market, making it difficult for the companies which refrained from pursuing international markets, to focus on the domestic market. In other cases, a domestic player would start operations in the home country of its global competitor, to divert the attention and resources of its competitor towards operations at home to safeguard its home market.

vi. Developed markets have high cost structures and companies may move their operations to regions and countries where costs of production are lower. Once a company starts operating in a geographical region, it becomes easier and profitable to market their products in that area.

vii. Countries and regions are at different stages of development, and their growth rates and potential are different. Companies do not like to concentrate all their efforts in limited regions and want to spread out their risk. Such companies will look for markets which are likely to behave differently from their existing ones in terms of economic parameters like growth rate, size, affluence of customers, stage of market development, etc. A company would not like all its markets to be under recession or inflation simultaneously, and would not like all its markets to be in mature stage, or in growth stage. Having different type of markets will make revenues and profits more consistent. The investment requirements would also be more balanced.

viii. Even if a company decides to concentrate on its domestic market, it will not be allowed to pursue its goals unhindered. Multinational companies will enter its market and make a dent in its market share and profit. The company has no choice but to enter foreign markets to maintain its market share and growth.

ix. Companies are realizing that it is no longer an option to stay put in one's domestic market. The ability to compete successfully in domestic markets will depend upon their ability to match the resources and competencies of multinational companies, with whom they have to compete in their domestic markets.

And once they decide to take on the multinational companies on their home turf, they have to improve their resources and competencies to be able to match those of the multinational companies. They will also learn about the ways of operation of multinational companies. This experience will be helpful when they have to protect their domestic markets against the multinational companies.

The boundary between a company's domestic market and other markets is getting blurred. Only a company which is internationally competitive can protect its domestic market. No market is or will be protected from incursion by multinational companies. A company's only choice is to go global, even if its prime interest is to protect its domestic turf.

How Indian Firms can go Global

Indian corporations are going global. The recent acquisition of Corus by Tata has signaled that some of them are looking beyond the national market and seeing their future as multi-nationals, competing for space in the global economy with the present occupants.

International power relations are influenced by the global reach of national capital. Hence the global ambitions of Indian corporations make geo-political sense. Do they also make economic sense?

The Tata-Corus deal is the biggest one so far. But a lot has been happening since the finance minister loosened controls on overseas investments by Indian companies in 2003.The volume of overseas acquisitions by Indian companies has grown from around $2 billion in 2004 to $4.5 billion in 2005 and may reach over $10 billion in 2006. Videocon, Bharat Forge, Ranbaxy and other pharma companies, the IT majors and, of course, ONGC are some of the others who have been active.

This push by Indian companies is part of a broader outward expansion by companies from the rapidly developing economies (RDEs). A study by the Boston Consulting Group* has identified 100 globalizing companies in 12 RDEs, of which 44 are in China, 21 in India, 12 in Brazil, 7 in Russia, 6 in Mexico, 5 in ASEAN, 4 in Turkey and 1 in Egypt. There are of course several older global players operating out of South Korea, Taiwan, Singapore and Hong Kong, which are now considered part of the developed world.

Since joint ventures and foreign subsidiaries are excluded, the Chinese companies on the list are mostly public enterprises. They have combined their low costs and super scale production with a remarkable agility in logistics, design and marketing. The Indian companies, on the other hand, are almost all private sector players with the exception of ONGC. The strength of the Chinese companies is in low-cost manufacture and assembly of final products. The Indian companies, other than the pharma group, show their strength in skill-intensive intermediate products and services.

Going global involves more than just acquiring foreign companies. The BCG study looks at it more broadly in terms of a company's presence abroad in the form of subsidiaries, manufacturing and servicing facilities, its interest in M&A activity, access to international capital markets, the breadth and depth of its technical competence and the value proposition it presents. A different way of going global is organic growth of a company, by setting up sales and service facilities, manufacturing plants, and R&D centers abroad. This becomes necessary at a certain scale because of the long supply chains, particularly from Asia to Europe and the US. In the long run, survival in a global market depends on building a strong brand equity or a cost or technical advantage that allows a company to capture, say, 25 per cent or more of a global market. There are some Chinese and Brazilian companies that can claim this but none as yet from India.

Scenario of Indian Companies

1. India has 52 billionaires in 2009 as the Forbes report. This is with all courtesy to the improvement in the India company situation.
2. India has been stated as the world's fastest growing wealth creator, all thanks to a vibrant stock market and higher earnings from the strata of Indian companies.
3. The number of top companies in India has outshone their performances in terms of net profit in just six months of the start of the fiscal year. This depicts a fast growth in corporate earnings.

Amongst all the developments in India, the major one has been in the IT sector. The Indian IT company scenario has witnessed a fast growth pace and it has in its basket a lot of job opportunities. That is why the IT sector has been considered a prime career option. As a matter of fact, this sector happens to be the fastest growing sectors in the India Company premise.

Indian Companies in Forbes Global 2000 List 2017

There are 58 top Indian companies that have been listed in the Forbes Global 2000 ranking for 2017. The leading Indian companies from different sectors are:

58 Indian Companies in Forbes Global 2000 List 2017					
Global Rank	**Indian Companies**	**Sales**	**Profits**	**Assets**	**Market Value**
#106	Reliance Industries	$41.8 B	$4.3 B	$97.9 B	$71.2 B
#244	State Bank of India	$43.7 B	$667 M	$493.3 B	$36.5 B
#246	Oil & Natural Gas	$19.9 B	$2.2 B	$57.7 B	$37.2 B
#258	HDFC Bank	$11.4 B	$2 B	$110.3 B	$57.4 B
#264	Indian Oil	$54.1 B	$1.7 B	$37.3 B	$30 B
#290	Tata Motors	$41.2 B	$1.7 B	$39.5 B	$24.9 B
#310	ICICI Bank	$11.9 B	$1.6 B	$138.9 B	$25.1 B
#373	HDFC	$8.1 B	$1.6 B	$64.9 B	$36.7 B
#376	Tata Consultancy Services	$17.4 B	$3.9 B	$14.5 B	$74.5 B

#408	NTPC	$12.2 B	$1.6 B	$38.7 B	$21.5 B
#463	Axis Bank	$7.8 B	$1.3 B	$80.4 B	$18.8 B
#483	Larsen & Toubro	$15.7 B	$814 M	$29.8 B	$24.5 B
#513	Bharti Airtel	$14.7 B	$702 M	$34.8 B	$21.4 B
#541	Coal India	$11 B	$1.6 B	$17.8 B	$27.4 B
#583	Bharat Petroleum	$28.8 B	$1.2 B	$14.4 B	$15.2 B
#598	Infosys	$10.1 B	$2.1 B	$11.9 B	$34.9 B
#744	Kotak Mahindra Bank	$4.8 B	$683 M	$37.4 B	$25.1 B
#765	Wipro	$8.1 B	$1.3 B	$11.8 B	$19.4 B
#797	ITC	$6 B	$1.5 B	$7.8 B	$51.6 B
#807	Hindustan Petroleum	$28.5 B	$752 M	$13.7 B	$8.5 B
#884	Power Grid of India	$3.2 B	$919 M	$27.8 B	$15.9 B
#916	Mahindra & Mahindra	$10.7 B	$491 M	$16.4 B	$11.8 B
#958	HCL Technologies	$6.3	$1.1 B	$6.4 B	$18.7 B

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		B			
#1023	Sun Pharma Industries	$4.6 B	$1.1 B	$9.1 B	$24.9 B
#1076	Tata Steel	$16.1 B	$-444 M	$25.7 B	$7.5 B
#1086	Power Finance	$4.3 B	$945 M	$37.3 B	$6.3 B
#1145	Bank of Baroda	$7.9 B	$-774 M	$104.4 B	$6.1 B
#1148	Punjab National Bank	$8.8 B	$-564 M	$107.7 B	$4.9 B
#1175	Hindalco Industries	$15.2 B	$31 M	$22 B	$6.8 B
#1230	Canara Bank	$7.5 B	$-398 M	$85.1 B	$2.8 B
#1234	Rural Electrification	$3.7 B	$869 M	$32.2 B	$5.7 B
#1239	Yes Bank	$2.5 B	$386 M	$25 B	$11 B
#1250	Bank of India	$7 B	$-948 M	$93.1 B	$2.3 B
#1272	IndusInd Bank	$2.3 B	$349 M	$21.2 B	$13.1 B
#1283	GAIL India	$8.3 B	$344 M	$11 B	$10.2 B
#1347	JSW Steel	$7.3	$407	$12.8	$7.5 B

		B	M	B	
#1420	Union Bank of India	$5.5 B	$207 M	$61.8 B	$1.6 B
#1435	Bajaj Auto	$3.5 B	$578 M	$3.1 B	$12.8 B
#1513	Adani Ports & Special Economic Zone	$1.2 B	$549 M	$6 B	$11.2 B
#1524	IDBI Bank	$4.8 B	$-548 M	$56.6 B	$2.4 B
#1556	Rajesh Exports	$36.3 B	$173 M	$3.5 B	$2.8 B
#1587	Hero Motocorp	$4.3 B	$473 M	$1.9 B	$10 B
#1622	Grasim Industries	$5.3 B	$461 M	$9.1 B	$7.7 B
#1664	Central Bank of India	$4.3 B	$-167 M	$46.4 B	$3 B
#1716	Lupin	$2.5 B	$444 M	$3.6 B	$9.9 B
#1745	Syndicate Bank	$3.9 B	$-232 M	$46.7 B	$985 M
#1783	Asian Paints	$2.3 B	$281 M	$1.7 B	$16.1 B
#1828	Indian Overseas Bank	$3.5 B	$-552 M	$37.8 B	$1 B
#1845	Allahabad Bank	$3.2	$-110	$35.7	$838 M

		B	M	B	
#1849	UCO Bank	$2.9 B	$-443 M	$35.7 B	$905 M
#1854	Corporation Bank	$3.2 B	$-77 M	$35.5 B	$980 M
#1859	Oriental Bank of Commerce	$3.2 B	$22 M	$34.9 B	$769 M
#1930	Steel Authority of India	$5.9 B	$-656 M	$16.2 B	$4.3 B
#1934	Indiabulls Housing Finance	$1.7 B	$408 M	$13.7 B	$6.3 B
#1937	Indian Bank	$2.8 B	$115 M	$30.8 B	$2 B
#1940	Andhra Bank	$3 B	$85 M	$30.7 B	$616 M
#1952	Motherson Sumi Systems	$6.1 B	$222 M	$3.9 B	$8.3 B
#1998	Tech Mahindra	$4.2 B	$469 M	$3.6 B	$6.7 B

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India's Super 50 Companies List 2017 by Forbes

Company Name	Shareholder Return (In %)	Sales Growth (In %)	Return on equity (In %)
3M India	222	12	19
Adani Ports and Special Economic Zone	84	20	84
Ajanta Pharma	354	18	40
Alembic Pharmaceuticals	128	19	39
Amara Raja Batteries	134	20	24
Ashok Leyland	281	28	15
Asian Paints	105	10	30
Aurobindo Pharma	156	23	32
Bajaj Finance	561	35	21
Berger Paints India	209	9	25
Bharat Financial Inclusion	274	44	22
Britannia Industries	311	10	51
Cadila Healthcare	122	10	31
Cholamandalam Investment and Finance Company	248	13	17
Crisil	63	12	35
Dewan Housing Finance Corporation	262	25	24
Edelweiss Financial Services	486	38	13

Company Name	Shareholder Return (In %)	Sales Growth (In %)	Return on equity (In %)
Eicher Motors	327	5	34
Emami	152	12	30
Havells India	165	12	22
HDFC Bank	100	20	19
Hindustan Zinc	197	11	22
IndusInd Bank	190	20	16
IIFL Holdings	442	20	18
Indiabulls Housing Finance	404	24	28
Kansai Nerolac Paints	232	13	27
LIC Housing Finance	171	15	19
Marico	193	8	37
Maruti Suzuki India	217	20	19
Motherson Sumi Systems	124	12	27
Motilal Oswal Financial Services	699	55	15
MRF	183	7	35
Natco Pharma	529	41	22
Page Industries	135	22	51
Pidilite Industries	132	12	29
PI Industries	220	14	31

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Company Name	Shareholder Return (In %)	Sales Growth (In %)	Return on equity (In %)
Piramal Enterprises	296	24	14
Procter & Gamble Hygiene and Health Care	142	8	30
Rajesh Exports	512	102	24
Shree Cement	204	17	17
Symphony	346	12	43
Torrent Pharmaceuticals	206	12	39
Tube Investments of India	259	12	17
TVS Motor Company	360	17	26
UPL	289	16	21
Vakrangee	246	27	30
Wabco India	190	27	18
Whirlpool of India	439	15	24
Yes Bank	290	18	20
Zee Entertainment Enterprises	99	13	25

Risks to Going Global

Many companies are re-configuring their formulas for measuring the host of dynamic risks associated with making large investments outside of their home countries. Even if there is a cyclical predictability to some of these risks-like the prices of basic commodities-other risks are largely unforeseen: that the United States would suffer a massive terrorist attack.

Foreign investments likely will be considered risky business as long as there are still projects to be done in a utility's home market that are considered to be economically viable. Still, for some companies, many of the risks abroad are no less challenging than some of the risks faced at home. "Political risk is everywhere”. For some utilities, risk management is so natural that enumerating the variables may be a simplistic exercise. For others, new risks are emerging every day.

1) Diversification Risk: Part of the risk of investing overseas is determining what percentage of a utility's portfolio should be diversified geographically, outside of the country. Multilateral banks establish value ceilings for country lending based in part on the growth in those countries and the likelihood of repayment. But there is no hard and fast rule for such diversification for investor-owned utilities. Indeed, shareholders and other equity stakeholders may push a company overseas for higher returns, despite higher risk.

Regardless of the mandate to diversify, the quality of the country or regional risk has to be determined on a case-by-case basis. "If a utility has 20 percent of its investments in the United Kingdom, that's a lot different from 20 percent in Pakistan," says Susan Abbott, the managing director of project and infrastructure finance, at Moody's Investors Service, in New York. "We haircut utilities' foreign investments, because when they say, 'We are getting so much from Argentina,' we say, 'No, you are not,'" she explains.

The strategy of geographic diversification may be a function of the perceived term of investment with the associated long-term growth in demand rates. With power generation concessions carrying 20-year to 30-year terms, there are ample opportunities to amortize investments. "In looking at possible investments, we take a long view and look at a whole range of variables in a much disciplined approach before deciding to enter a market or pick up an asset. That provides the best risk management," says Stephen Morrisseu, a spokesman for Duke Energy.

2) Political Risk: The variations of political risk are many, given the levels of federal, state or local power that can come into play to affect a project. Federal or sovereign risk is perhaps the most compelling of political risks, especially in countries where there is a weak or divided congress. While Colombia's fiscal and monetary policies are such that the country deserves an investment-grade rating from international risk assessors-like Fitch, Moody's and Standard & Poor's-such a high rating has eluded other countries-like Mexico-for years. If a government will not back the political risk in project-from problems as basic as nationalization-then others will have to pay for the risk. Still, some countries recognize that assuming country risk helps attract badly needed foreign investment, so governments take this extra step to assure inbound cash flows. Although the issue of the personal security of expatriate workers apparently has not yet been raised markedly in most countries, some multinational utilities are taking additional precautions against factors like sabotage, terrorism and kidnapping. "We've increased vigilance on security steps we already were taking, even with routine measures," says Robert Stibolt, the senior vice president of risk management and energy trading at Tractebel North America, in Houston.

3) Regulatory Risk: A large sub function of general political risk, regulatory risk, can be a function of a fickle government, or a function of a nascent regulatory regime, where concession and privatization implementation practices are evolving with virtually every deal. They get the idea that they want to privatize, but the rules are unattractive to foreign investors. So, we may work with heads of state, with energy ministers, or with privatization ministers for as long as it takes to get a set of rules that allow us to put a good business together in a country," he says. In situations where governments set a rate of profit return for a project, those utilities that find conditions do not match concession contract terms can be left out in the cold for years. But foreign currency guarantee clauses, guaranteed floors and ceilings for business volumes, and other mechanisms are making the rate anticipation game more tolerable.

4) Economic Risk: Even the longest bull market in the world has to slow down at times. When Argentina adopted parity for the peso with the U.S. dollar years ago, the move was heralded as a milestone of economic progress. But today, the country is on the fiscal ropes. Apart from economic threats to the ability to operate an asset in a given country, the physical operation of the unit can sometimes be a challenge. Securing expensive imported spare parts can at times require a special understanding with local customs officials. And gas supplies suddenly can be diverted to domestically owned customers rather than a utility, for example.

5) Credit Risk: Customer and supplier risk can be crucial, even when a seemingly secure fuel or power purchase agreement is in hand, stamped and approved. When a supplier or customer-particularly a government-is unable to supply or to pay, the legal recourse may provide little comfort to a utility with tough lender covenants. Similar to credit risk, collections risk is an issue for companies involved in distribution, particularly in countries where theft of service is a standard deviation, one executive says.

6) Interest Rate Risk: When a utility seeks to develop a project, it normally borrows a hefty portion of the price from private lenders, banks, insurers or other financial service entities. Depending on the perceived risk of the developing company, the cost of borrowing may go up or down hundreds of basis points-or thousandths of one percent, regardless of country risk.

As a company might be able to use balance sheet financing for a project, liquidity positions may necessitate increased borrowing. Apart from cash needed to move a project through construction completion, ongoing operating expenses may also necessitate interest rate hedges. "We hedge against interest rates over a longer term, so we're not taking advantage of some of the lower rates now; but 15 years rates haven't come down that much," one utility executive says.

7) Foreign Exchange Risk: Trillions of dollars in foreign exchange are traded around the world daily, and the volatility in the variations can impact both utility suppliers as well as its customers. Derivative hedges against fluctuations are a standard part of any foreign business, and these exposures frequently are reported on a real-time basis up to regional if not global centers, where the costs of protecting against relative geographic risks can be measured with the same financial stick. If protection against currency devaluation is acquired in the country where the risk arises, placing the risk there limits the exposure of a parent company elsewhere in the world.

8) Repatriation Risk: Hedging against a currency shift is one thing, but managing to repatriate the protected profits is another matter. You can push currency risk into a country by way of derivatives, but the answer to the question of whether that means the risk of repayment is adequately dealt with is no. A third party may guarantee a contract and (dollar-based) payments, but not necessarily the debt service to the (offshore) lenders. Under a prior government in Brazil, when currency repatriation was heavily taxed, international companies routinely purchased gold or food products to ship value back to a parent company.

Challenges to Indian Companies in Going Global

Indian Companies need to find answers to the major challenges posed in their way to be global leaders. These challenges can be classified as Internal and External as described below:

A. Internal – These are the challenges which are inherent to companies and to make the real impact at global level, Indian companies need to first strengthen themselves by getting rid of these significant challenges.

a) **Talent Crunch** – Companies need strong talent pool which can take leadership position both in global market as well as in India, as and when required. This talent pool can be in-house trained as companies like Aditya Birla Group, Tata Group, Infosys, TCS etc. are doing or like some startups hire experts from related or unrelated Industries in India as well as abroad to nurture their global aspirations. Still most of the companies have not been able to come out with solution to this challenge and are struggling as success to them is largely dependent upon hiring and retaining highly skilled technology professionals, sales professionals and management professionals.

b) **Cultural Impact** – McKinsey in their study found that managing a global business is a major challenge as it makes different set of people with different cultural orientations to work together, and orienting them for a common goal with standard process is very difficult. To achieve global success a company needs to localize while pushing for the common goal. A study shows that "As more and more "Indian MNCs" go global, their managers would need to gear up, in a very short time, the knowledge base needed to face the new challenges they would inevitably face in multiple global markets. Such study also shows that, "Indian managers should develop a "global mindset" that would enable them to understand and manage cultural differences, and lead their multinational teams to success."

c) **Strong Vision and Credentials** – The exposure to big projects in India in comparison to global scale is limited. Only few companies like L&T, GMR, Punj L Loyd, etc. have been able to complete global scale projects, still there is a long way to go. Companies need to put forward a strong vision for future and plan for their global footprint by leveraging their Indian experience, e.g. Suzlon aspires to be a global leader in providing wind power solutions. This will help in making a strong brand having proven credentials, even PSU's like ONGC; ISRO etc. are following the same model and have been comparatively successful in becoming a recognizable global brand.

B .External - There are many external challenges beyond control of Indian companies. These challenges are discussed as below:

a) Liquidity Shortage: Leading Indian researcher CRISIL has opined in their study that Indian companies will face depressed credit profiles over the coming months due to weaker demand for their products and liquidity problems. A shortage of liquidity leads to an underutilization of capacity and thereby significantly lower volume. Further, shortage of liquidity hits companies expansion plans, options to put new technologies for cost reduction and quality improvement.

b) Regulatory Matters: Legislations pertaining to anti-outsourcing, restrictions on immigrations are gaining momentum in certain countries and may hamper growth plans of many IT and other companies having outsourcing as their main business model or requiring Indian experts to run their plants in other countries. Tightening visa process, increasing rejections for visa and work permit applications, increasing minimum wage requirement may hamper growth prospect in major markets.

c) Integrating Acquisitions and Managing Operations in Diverse International Locations is very critical as post-acquisition challenges include cultural, financial and technology integration risks. These challenges if not addressed adequately could result in failure to achieve the strategic objectives and the resultant synergy expectations. Lijee's analysis found that Indian companies are struggling with their Chinese acquisitions.

d) Slow Global Economic Growth: Due to significant slowdown in established markets of Europe and USA, companies are aggressively pushing for market share, significantly impacting margins. In 2012, Global GDP fell to 3.2% compared to 4% in 2011. The IMF projects growth at 3.25% in 2013, increasing to 4.0% in 2014. GDP growth in emerging markets and developing countries is placed at 5.3% in 2013, increasing to 5.7% in 2014. US GDP is expected to grow 1.9% in 2013, rising sharply to 3.0% in 2014. Europe will remain a laggard, with growth projected at -0.3% this year, and inching to just over 1% in 2014. This all brings a huge challenge for Indian companies to strategize their growth plans and optimize their resources to meet competitive challenges.

e) Fluctuating Exchange Value Un-hedged Trade and Financial exposure creates potential to adversely impact company's projects and overall profitability. Further, volatility and uncertainty in forex rates creates complexity and challenges the margins.

Indian companies need to plan their global growth considering their organization structure, culture, financial aspects and macro-economic conditions. They should leverage experience of consultants advising on global growth, target countries based on CAGE analysis by Pankaj Ghemawat and should plan their global endeavors with optimal solutions to the foresaid challenges based on resources available with their organization.

Conclusion

By going global Indian companies are writing a new chapter in how the world perceives us. Many of them are the future billion dollar companies and will serve to be great ambassadors of the are "Made in India" campaign that our Prime Minister has embraced.. With every globally successful company, India is creating role models for others to emulate. India's greatest comparative strength is in project and plant management under difficult conditions, in intermediate engineering and IT services and in skill-intensive manufacture. Leveraging this to our advantage requires a liberal view of overseas expansion by Indian companies.

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