

**TRAINING IN INTERNATIONAL BUSINESS:
THE CASE OF A DEVELOPING COUNTRY**

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Abstract

An attempt has been made in this monograph to study the selection and training procedures of Indian multinationals abroad. The initial attempt to offer a course on International Business as an elective in the regular MBA programme has been described. The lukewarm response to this course suggests that there is a lack of appreciation by Indian businesses for training in international businesses. This was verified by the response to a questionnaire sent to Indian multinationals. The author concludes that the increasing opening of Indian economy may lead Indian businesses to a global perspective in the 1990s.

The academic world has started recognising the role played by Multinational Enterprises (MNEs) in the world economic system. The initial attempt to study the phenomenon of MNEs in various forms and functions started from 1960 onwards. Slowly many universities in developed countries introduced courses on international business in their management programs. Now, it is assuming a pivotal role in many programs. While in developing countries, some New Industrialised Countries (NICs) have been

able to provide an environment for the growth of their own MNEs. In India, display of multinationalism by companies is more out of compulsion than inclination. This paper describes briefly the nature of studies done on the Indian multinationals, an attempt to introduce a course on international business in a regular management program. It covers, course content, methodology of teaching and response of graduate students. In the second section, an attempt has been made to replicate the survey of Rosalie Tung on expatriates' selection and training procedure. The response from Indian companies having overseas ventures has been poor. From a sample of the answers received, tentative inferences have been drawn. Perhaps, these can act as hypothesis for future research.

Introduction

There has been a transformation in the global economic system and there are lot of interactions between different countries in various forms. An individual enterprise, starting in any country, is likely to move towards internationalisation due to economic forces. Up to the 1960's, most multinational corporations were identified with the US or European countries. Since then, many countries from Asia and Latin America have tried to move towards internationalisation. It was assumed that only a developed country can have a congenial atmosphere for the development of multinational corporations. With this, several theories were developed such as dependentia theories and non-dependentia theories. The latter emphasised that ownership advantage became a critical factor for internationalisation.

Attempts were made by India to have foreign direct investment by Indian companies in 1959. With the oil boom in the 1970's, India entered into project exports or turnkey projects in the Middle East. Manufacturing and service industries also tried to establish joint ventures in other countries. Table 1 gives the number of companies as approved by the Indian government for joint ventures abroad. There were 244 joint ventures in 1982 but only 186 in 1989. There was only a marginal increase in joint ventures. There were a lot of failures in the Indian joint ventures abroad.

Table 1

Indian Joint Ventures Abroad

	1982	1989
In Operation	142	152
Under implementation	79	34
Abandoned	23	NA
Total	244	186

Source: India Investment Centre, New Delhi
 NA - Not available

Previous Research

Sanjaya Lall (1982) finds that there is a 'revealed comparative advantage' of MNEs from different developing countries. India seems to have a higher RCA than is expected from its income and inefficient import-substituting policies. A higher 'learning

cost' is involved in assimilating 'know-why' due to restrictive access to foreign technology. Besides technology, the main reason why Indian businesses went abroad was the slow growth of the domestic economy and restrictions on diversification by large business houses. For example, he says that Birla's expansion is mainly due to aggressiveness and imaginative entrepreneurial qualities. The Tata group is identified with management and technological dynamism.

Another study (Shiva Ramu, 1986) finds the nature of internationalisation assumed for a developed country and Indian ventures abroad are not the same. There are theories to explain the behaviour of MNEs such as dependentia theory product life cycle, codification-Diffusion framework and psychic distance theories. All these may not fully explain the Indian businesses abroad.

A recent study by Sebastian Morris (1990) tries to explain the phenomenon of Indian joint ventures abroad. The Indian equity participation is small. The hypothesis suggested by Lall about Birla's being 'entrepreneurial' and Tata's having 'professional' management is not easily tested. This may lead one to study the sociological factors. For example, why are the Marwaris as such a dynamic business community? Instead he takes up the tangible facts to analyse the pattern of ownership and control with regard to joint ventures abroad. This is done through categorisation of the parties holding equity share in joint ventures. He goes to the final origin of participating

firms. This gives the following groupings: (a) control by MNEs, (b) control by Indian firms and (c) control by local firms of host country. From the grouping pattern, he concludes that Indians were in control in about 35% of joint ventures in terms of Indian equity share. However, if there were management contracts in addition to equity shares, then it was likely to give more control to Indians in joint ventures.

All these studies do not dwell on the human resource aspects of Indian ventures abroad. Questions, such as how many Indian management personnel are involved, how they are selected, whether any training is given before sending them on foreign assignments, why there have been so many failures, whether they are due to lack of training or other aspects are not answered.

However, there have been some efforts towards studying the selection and training procedures for expatriate assignments. Rosalie Tung (1982) analysed comparative expatriation practices among U.S., European and Japanese multinationals. Subsequently, an attempt was made to study these practices in depth. Tung (1988) gives a comparative picture of the selection and training procedures for expatriate assignments among U.S., and European multinationals. The study highlights the selection criteria used, the kinds of training programs, the failure rates and the factors responsible for the expatriates' inability to perform in a foreign environment.

Borg (1988) made a study of expatriate managers in multinational companies. He used two dimensions: Destination and Mobility.

The combinations of these two dimensions lead to categorisation of four transfer archetypes: Naturalized, Locals, Unsettled and Cosmopolitans. The transfer patterns were mapped. Another aspect in terms of organizational control was studied. This gives the following typology of international transfers such as (a) Position Filling, (b) Manager Development and (c) Organizational Development.

But no study has been on the human resources deployment and their training in India. The numerous failures of Indian ventures abroad suggests that this may be due to lack of orientation towards international management. This paper tries to explore whether Indian companies feel the need for international business training for their personnel.

This monograph has two sections. The first section gives an account of the attempt to introduce an elective course in the regular two-year graduate program in management. It discusses the course content, training methodology and the pattern of response through student enrollments. The second section gives the tentative survey result on the selection and training of expatriates based on a mailed questionnaire.

CURRICULUM ON INTERNATIONAL BUSINESS

At the Indian Institute of Management, Bangalore, an attempt has been made to introduce an International Business course as an elective in its graduate programme.

Consideration

The term International Business is far more comprehensive than International Trade or International Marketing. It covers the entire gamut of techniques and tools in inter-national business activities ranging from exports and subsidiaries to joint ventures and multinational operations. The focus of the topics is company-oriented. An understanding of such a vast area requires an eclectic approach in terms of developing an interdisciplinary conceptual framework which will be dynamic enough to accommodate changing international economic and market conditions. The topics to be included in the curriculum have to be of contextual nature and this requires continuous academic vigilance regarding environmental changes. It is more of a continuous learning process where the participants have to do a great deal of study on their own.

Course Content

The course content has its focus on the MNE as an entity. It begins with the definition of MNE and various theories developed to explain the nature of MNE. It is followed by the alternative strategic stances in functional areas such as finance, marketing, production and management. The second section takes up the origin, growth and interlinkages of MNEs in various socio-economic-political environments like developed countries, socialist economies, oil-producing economies and developing economies. The third section deals with the nature of controversies faced by MNEs in different countries. This is followed by an analysis of the regulations and constraints

imposed on the operations of MNEs in different countries and the multilateral movements that monitor the operation of MNEs. The fourth section deals with the nature of MNE growth in different countries such as Japan, Sweden, Switzerland, India, S.Korea etc. In this section the divergent experiences of state-owned MNEs, both manufacturing and trading, are also discussed. The fifth section deals with transfer of technology. The pattern and type of transfer by MNEs involved is taken up. Finally, the negotiations between two or more companies across the border are discussed. The various issues involved in negotiations forming cooperative arrangements, package deal, joint venture, licensing etc., are dealt with. While the first three sections are of generic nature, the last three sections emphasize on the possibilities of a developing country enterprise interacting with the outside environment.

Methodology

The methodology used for training consists of three segments. The first segment introduces various aspects of MNEs and discussions are held. The second segment comprises of selecting a topic of choice. Some references are given. However, students are expected to supplement other relevant literature on the topic. Then they have to present the topic in the class. The third segment comprises of a case analysis done by the students. The students are expected to write a brief case history and analyse a selected industry in the global context. This case analysis will have to be presented in the class. Another student

will be required to present a critique on the case.

The enrolment to this course has varied from 6 to 16 students during 1984-89. This low enrolment was partly due to the lukewarm response of the recruiting agencies towards international business. This is a direct response to the market demand for business graduates in the corporate sector in India. In order to verify this hypothesis, a survey was conducted. The results of this survey are given below.

EXPATRIATE SELECTION & TRAINING: SURVEY

Methodology

The questionnaire developed by Rosalie L. Tung (1988) was modified to include non-resident Indians as an additional item in the questionnaire. This was mailed during November-December, 1989 to 211 Indian companies having joint ventures abroad. Out of this only 10 companies replied, 9 regretted and 16 posts were returned the questionnaire. Nearly 178 companies did not answer to the questionnaire. The response rate was less than 5 per cent. With such a limited sample, statistical analysis was not feasible. However, indicative conclusions have been derived on the basis of the completed questionnaires.

Results

One of the 10 companies, insurance company, has representatives in 25 countries. The other nine companies have 15 joint ventures in 11 countries. The regions varied from South East Asia, Africa to U.S.A. Only one company had appointed non-resident Indians

in their joint venture. The rest had mostly either Indian or host country nationals. None of them utilised Third country nationals in their joint ventures. The reasons for this pattern of appointment varied. In the case of parent country nationals, the major reasons are technical expertise, and the person being considered as the best for the job. All the other reasons were of minor significance. In the case of one company appointment of non-resident Indians, the major reason given was adaptation to local environment and familiarity with Indian as well as local culture and language'. In the case of appointing host country nationals, the reasons are greater familiarity with local culture and knowledge of language. Majority of them have also mentioned denial of work permit by the host country. This restricts the recruitment of host country in their joint venture.

Regarding information on the basis of selection and the criteria used most companies have answered that for the chief executives and functional heads, the following criteria in order of importance, are used:

- Experience in the company
- Technical knowledge
- Overall experience
- Managerial talent
- Interest in overseas experience
- Communication skill and maturity and emotional stability

Other criteria such as respect for the laws of other people, sex, age, spouse's and family's adaptability, flexibility in the new

environment were not used except one company. For the other categories of operative personnel, most of the recruitments have been local. So the emphasis is on the knowledge of local language and all other criteria have been of marginal importance. An attempt was made to find out whether Indian multinationals use a test for selecting a candidate for foreign assignments. A majority of them test candidates for technical competence but rarely on their relational abilities i.e. empathy with different cultural values. Most of them interviewed the candidates individually for both managerial and technical positions abroad.

The opinion regarding the failure and recall of expatriates could not be elicited. Some companies said that most candidates selected for foreign assignments on rotation basis and they are called back after their term. As such, it is difficult to find out the other reasons for success or failures in their assignments. The percentage of recall to home country is very low.

Finally, as to whether any training is imparted to the selected candidates at the corporate head quarters before sending them on foreign assignments, only 50 per cent of the sample said they had received some formal training. In the training given to chief executives and functional heads, the concentration is on business practices like marketing system etc. other aspects like cultural orientation, cultural assimilation and sensitivity training, were not considered even by those imparting the training. None of the companies having a formal training programme had any evaluation of the effectiveness of training.

Inference

From the above, one can tentatively infer the following:

- 1) Indian joint ventures abroad have a very few expatriate assignments.
- 2) Candidates for these assignments were mostly selected for their technical competence.
- 3) Host country nationals are employed in overseas operation usually, when there is denial of work permit to "aliens".
- 4) The selection criteria have been mostly technical knowledge and experience in the company.
Not much emphasis is put on the relationship abilities of the individual.
- 5) 50 per cent of the companies administered some test for assessing the technical competence of candidates.
- 6) The interviews were mostly with individual candidates.
- 7) Recall of personnel to the parent company has been mostly of a routine nature due to the rotation of assignments.
- 8) 50 per cent of the companies had some formal training programme which emphasised on business practices and this training is not evaluated.

CONCLUSION

An attempt has been made in this monograph to study the selection and training procedures of Indian multinationals abroad. The initial attempt to offer International Business as an elective in regular program has been described. There has been a lukewarm response to this course so far. This suggests that less emphasis is being given by Indian businesses to this area of business activity. An attempt was made to verify this hypothesis through a questionnaire. . The small response rate itself suggests that the hypothesis may be correct. . The analysis of the response gives the impression that there is a lack of appreciation by Indian businesses for training in international business. However, it may be due to the nascent stage in development . The increasing opening of Indian economy due to liberalisation policies may lead Indian businesses towards a global perspective in 1990's. In the mean time, the training in international business has to evolve a different response to the present situation.

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