

International Business Strategies
for India's Project Exports : A Study
(Abstract)

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Introduction

The importance of exports to developing countries has increased in recent times due to three reasons. The rise in price and usage, of oil related products since the 70s had seriously affected many developing countries which keep running up larger and larger expenditure on these products. The galloping inflation in several countries compounded the problems by running up the import bills. International transfer of resources through official development assistance schemes and aids has not been adequate to compensate for the reduction in foreign exchange reserves due to the deterioration in terms of trade. The need for foreign exchange in financing capital for development adds to the developing nation's cup of woes. The need of the day is not just promoting exports but promoting the internationalisation of industries which can earn foreign exchange through such a step.

'Project Exports' is considered as one of the areas where India can perform well. Indian project firms have earned considerable amount of foreign exchange through their operations abroad in the past. But, considering the total market for project exports, India's contribution is trifle. For example, as per one of the estimates, in 1992 around \$250 billion (around Rs.75000 crore at an exchange rate of Rs.30/\$) worth of contracts alone was handed out world wide of which India's share was negligible (of the order of Rs.1200 crores i.e. 1.6%) [Abraham,1992].

The cases of consultancy and turnkey exports are no different. The export earnings projected for consultancy in 1994-95 is just Rs.500 crore. The figure was Rs.200 crores in 1990-91. In fact consultancy is among the 14 thrust sectors that the Govt. had identified for special attention in its efforts to boost exports. The technology policy statement (TPS) of 1983 recognised the need to promote and develop new skills in consultancy (Vittal Babu 1991).

According to Varadarajan (1988), India has a large body of experienced technologists and engineers and our cost in expert human resource is still much lower than in developed countries. In areas such as detailed engineering, designs procurement and inspection services, construction supervisions, commissioning or operations, in all of which consultancy is involved, Indian costs for equivalent work and service may well be one eighth of those in Western Europe, North America or Japan. (Varadarajan 1988) Thus the projects sector (consultancy, construction and turnkey

projects) offer good prospects for earning foreign exchange for the country.

But as discussed earlier, the performance of Indian firms in service exports has been poor in terms of turnover. According to Engineering News Record (ENR), an American journal which monitors and evaluates the performance of various international firms in winning global consultancy services, during 1990 the top 200 international firms had \$8.8 billion billings for International work. Only one Indian firm figured among this top 200 list with a billing of about \$20 million. In the case of projects funded by the international funding agencies like the World Bank, ADB etc., which are considered to be the best opportunities for firms from the developing world, Indian share has generally been less than 2%. (Rao 1991)

If Indian share of world 'Projects' trade is to increase substantially, firms have to set up international branches, subsidiaries etc. Thus the issue of concern is not only the promotion of Project Exports but the internationalisation of firms involved in Projects. It is in this context that the mode of Internationalisation followed by successful firms, calls for a detailed study.

The present study attempts to examine the process adopted by Indian project firms to internationalise their operations.

Focus of the Study

In the present study, the overseas operations of project firms in the country are examined from a marketing perspective. The main issues sought to be addressed are:

1. How do project export firms acquire foreign clients?
2. How far the conventional internationalisation models are applicable in the case of project export firms.
3. What are the strategies adopted by firms to suit different Buyer characteristics.
4. What are the differences in strategies adopted by firms involved in different kinds of project exports.

Main Objectives of the study

The study was carried out with the following broad objectives:

- * To find out whether companies make use of / rely on network relationships for internationalisation.
- * To find out, how important the networks are in internationalisation of Project Export firms.

- * To find out whether Project Export firms follow the 'Establishment Chain' in internationalisation.
- * To find out whether the concept of 'Psychic Distance' has any relevance in the internationalisation of project firms.
- * To identify strategies suitable for different buyer characteristics in the case of project exports.
- * To identify differences in the internationalisation patterns of consultancy, construction and turnkey project firms.

Methodology

The study was carried out in three phases. In the first phase the environment of project exports was studied. This formed the background for conducting case studies of firms engaged in project exports, in the second phase. This was followed up with a mailed questionnaire survey of firms to verify some of the findings from case studies.

Results of the study

The study provided :

- (i) a tool for decision making on strategies for exports, to the project firms.
- (ii) an insight into the policy and infrastructural issues associated with overseas operations of project firms.
- (iii) an analysis of the problems faced by project exporters in the country.
- (iv) an analysis of the special features of and the major trends in India's project exports.
- (v) Suggestions to improve the country's project exports.

Thus the results of the present study provided the project export firms in India a frame work for action towards expanding their overseas operations.
