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**ORGANIZATIONAL LANDSCAPE IN INDIA: HISTORICAL DEVELOPMENT,
MULTIPLICITY OF FORMS AND IMPLICATIONS FOR PRACTICE AND RESEARCH**

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ORGANIZATIONAL LANDSCAPE IN INDIA: HISTORICAL DEVELOPMENT, MULTIPLICITY OF FORMS AND IMPLICATIONS FOR PRACTICE AND RESEARCH

Abstract

Since its independence in 1947, India has undertaken several different paths towards economic development and growth. These paths have evolved due to the unique internal political-economic context emanating from a history of colonization and the external pressures arising from global institutional and economic considerations. The need to accommodate domestic realities and external pressures led to the emergence of diverse organizational forms in India. Placing the contemporary organizational landscape within the historical political-economic context, we discuss the plurality of organizational forms that dominate the Indian economy, their evolution in the period after economic liberalization in 1991, and their attempts to catch-up and participate in global markets. Furthermore, using the four papers published in the special issue as a starting point, we discuss how the organizational landscape in India offers opportunities to contribute to practice and research, particularly in the domains of business groups, emerging market multinationals, and reverse innovation.

Introduction

International empirical contexts offer opportunities to not only test, but also to contribute to and extend theories (Meyer, 2007). As scholars of management, context and phenomena are important if they are likely to change our view of the world as it exists today or if they have the potential to change some of our existing theories. Emerging economies such as China and India are unique and hence are valuable contexts for research (Luo and Tung, 2007). While a number of interesting studies have been conducted leveraging the unique context of China (e.g., Child, 1996; Nee, 1992; Luo and Peng, 1999; Peng and Luo, 2000; Tsui, Schoonhoven, Meyer, Lau, and Milkovich, 2004), India's potential as a valuable research context is yet to be fully realized (Chari and David, 2012; Majumdar and Bhattacharjee, 2014; Khanna and Palepu, 2000). A broad objective of the India special issue in *Long Range Planning* is therefore to highlight how India constitutes a valuable context to address a number of interesting research questions.

We focus specifically on the rich organizational landscape of India in this special issue and how it can be effectively leveraged for research. The structural shifts in and the growth of India's economy since the initiation of fundamental economic reforms in the 1990s has been well documented in academic studies as well as in various reports of international institutions and consultancy firms (Ahluwalia, 2002; Kohli, 2007; Rodrik and Subramanian, 2005). Anecdotal evidence from the popular press points towards the dynamism of Indian firms in terms of success in international markets, innovation models, and unique governance structures, among others. India's organizational landscape presents a unique mix of state-owned enterprises, subsidiaries of multinational firms, firms that are affiliated to large business groups, as well as stand-alone private firms that are either family owned or widely held by public shareholders. We have been able to put together four excellent papers for this special issue in *Long Range Planning* that

suitably illustrate how a context with such a diverse mix of organizations can be leveraged for addressing some interesting research questions. In the following sections, we describe the historical evolution of the organizational context and the current economic landscape in India. We then briefly describe the four papers forming a part of this special issue. We conclude by outlining a few more research themes that scholars can pursue in future, leveraging the rich context of India.

Historical Evolution of the Indian Organizational Context

The contemporary organizational landscape in India needs to be understood in the context of the origins of business organizations during the early twentieth century when economic activities were under the aegis of British colonial rule (Kohli, 2004). In much of the nineteenth century and before, indigenous business activity happened in small scale industrial production and trade, with most of the Indian economy being agrarian in nature. This was partly due to the role of India being a supplier of raw materials to support British industrialization first under the East India Company and later under direct British rule from 1857 onwards. Development of infrastructure in India was mostly done to support British economic and political control, rather than to facilitate indigenous industrial growth.

The beginning of the twentieth century saw the emergence of indigenous business in certain sectors, including textiles concentrated around Bombay and steel in the eastern part of India. These nascent industries flourished during the two World Wars. As argued by Kohli (2004: 253), the first World War “enhanced India’s strategic importance in British global designs and suggested that continued defense and other public expenditures required new sources of revenue. Since the land revenue could not be increased readily, ... the state sought instead to get revenue by taxing imports, mainly by imposing tariffs.” Accordingly, industries such as textiles,

iron and steel, and paper received protection, thus giving a boost to the emerging Indian industry right through the second World War. “The role of protection in this production growth is clear insofar as the industries that did the best were precisely the ones that were now protected by imports. ...Sovereign India’s major business houses... matured during this period and were ready to take advantage of the new growth opportunities that independence would eventually create” (Kohli, 2004: 254). It is interesting to note that these business houses continue to exist and flourish even in this century.

There are a few things which are noteworthy about the emergence of Indian organizations during the British rule. First, although these were private enterprises and invested in industrial ventures through family savings, their early growth happened in the context of the necessities of the two World Wars and the political-economic expediency of the British in providing them protection from foreign competition. Thus, in a sense this was the beginning of import-substitution industrialization that was formally adopted as a policy framework by the Indian government after independence. Second, much of the pre-independence economic activity by Indian organizations was in sectors (e.g., sugar, cement, heavy machinery) which did not directly compete with British interests. However, in some sectors (for example, banking and insurance), Indian businesses were able to encroach on the traditional European dominance (Mukerjee and Mukerjee, 1988) and establish a base for indigenous capital infrastructure. Third, the emerging Indian business organizations “did not develop as junior partners of British entrepreneurs in India, and at no stage was the main body of Indian capitalist class subordinated to foreign capital, industrial or financial.... Not being ‘tied up’, it did not become an ally of British imperialism” (Ram, 1975: 12). Instead, the business class aligned with the Indian nationalist movement that was solidifying to fight British rule from the 1920s onwards. In fact, the Indian private business

foresaw a symbiotic relationship with the state post-independence. A significant document prepared by the large business houses in 1944, called the “Bombay Plan”, proposed a mixed economy, protectionism, and public investment in heavy industry (Kohli, 2004), and institutionalized “a long relationship between business and nationalist leadership, a historic moment when business groups, for the first time, unhesitatingly aligned themselves with nationalist aspirations” (Kudaisya, 2014: 98). This close relationship between state and private business continued after India gained independence, although the relative importance of the public and the private sectors as engines of economic growth would vacillate in the four decades after independence.

The post-independence India saw the continuation of the organizational landscape of the colonialist era with a combination of Indian private industry and a limited number of foreign multinationals operating in certain sectors (see Choudhury and Khanna, 2014 for a history of MNCs in India). However, similar to other developing economies, India relied on the principles of import-substitution industrialization for its economic development. This policy was implemented through a combination of establishing state owned enterprises in sectors requiring high levels of capital investments (which the private sector could not provide) and encouraging private businesses to enter other sectors which were protected from foreign competition. Economic activity was heavily regulated by the state, thus the era was popularly called the “license raj.” Because of the simultaneous need to promote economic growth and to pursue redistributive objectives, Indian political leaders needed to worry about popular support which led to a complex relationship between the state and the private sectors: “sometimes cooperative but just as often conflictual” (Kohli, 2004: 14). Till the 1980s, indigenous private organizations, especially business groups, continued to thrive in an environment of protectionism from foreign

competition, but at the same time operated in a limited economic space because of the primacy of state-owned enterprises in various sectors including banking, insurance, airlines, heavy-industries, and telecommunications. Majumdar (2009) shows that state owned companies crowded out growth in private enterprises in India from the 1950s to the 1980s (proportion of private capital to total paid up capital decreased from 92% in 1955 to 25% in 1986).

The mid-1980s saw a major turnaround in the role of the state in India's economic development (Kohli, 2006a, 2006b, 2007; Rodrik and Subramanian, 2005). A major ideological change took place in the relative importance of pursuit of economic growth and redistributive objectives. In the decades after independence redistributive objectives took precedence, which in turn limited opportunities for the private sector. However, since the 1980s successive Indian governments moved toward promoting economic growth over redistribution policy. This economic growth was to be achieved through a pro-private business orientation rather than through fundamental economic reforms. In essence, the change happened within the ambit of a protectionist policy environment of the 1980s. According to Rodrik and Subramanian (2005: 195), a pro-market orientation "focuses on removing impediments to markets and aims to achieve growth through economic liberalization. It favors new entrants and consumers. A pro-business orientation, in contrast, focuses on raising the profitability of the established industrial and commercial establishments. It tends to favor incumbents and producers." Under this pro-private business orientation, proportion of private capital to total paid up capital increased exponentially as well as the capital of private companies vis-à-vis state-owned-enterprises (SOEs) (Majumdar, 2009; Mishra, 2009). This was then followed by a variety of pro-market industrial policy reforms in the 1990s which further removed constraints on the Indian private sector through de-licensing, opening-up of sectors formerly reserved for the SOEs, and offers of

tax concessions (Kohli, 2006b). The significant acceleration of reforms was triggered by a severe crisis in India's balance of payments position in 1991. A series of major economic liberalization measures were initiated by the Indian government starting in 1991, to establish stronger linkages with the global economy (Ahluwalia, 2002). To summarize, although major economic reforms were implemented since the early 1990s in India, the organizational landscape in terms of the relative importance of state-owned versus private enterprises fundamentally changed a decade earlier due to the political-economic reorientation of India's leadership.

Indian Organizational Landscape: Liberalization in a Globalizing World (1990s onwards)

Due to the unique historical evolution of the economic landscape in India, different types of organizational forms co-exist in India even two decades after the country went through significant liberalization and was opened up to foreign competition. Consider the banking industry as an illustration. In India, there are primarily 89 commercial banks at present, of which 26 are state-owned public sector banks (29.2%), 43 are foreign-owned banks (48.3%) and 20 other private sector banks with local/Indian shareholders (22.4%). There are also many co-operative, regional rural and local area banks numbering up to a staggering 100,000, but with an insignificant share and the eighty nine public, private and foreign banks have a combined market share of over ninety percent of the total banking assets (Reserve Bank of India, 2013). It is noteworthy that despite the presence of a large number of foreign banks, they contribute to only 0.062% of the total interest income received by banks as opposed to 22.7% for local private banks and 71% for public sector banks in the year 2012-2013, i.e., more than twenty years after the banking sector was privatized in India (Reserve Bank of India, 2013).

In order to identify the commercial enterprises currently active in India across all ownership categories, we sourced data from *Prowess* database of the Centre for Monitoring

Indian Economy (CMIE), which is the most comprehensive data source capturing commercial activity in India. The *Prowess* database is now widely used by management and strategy researchers (e.g., Khanna and Palepu, 2000; Khanna and Rivkin, 2001) for large sample studies on India. The companies covered in the *Prowess* database account for 75 per cent of all corporate taxes and over 95 per cent of excise duty collected by the Government of India. We downloaded and analysed some basic data such as the number of companies, the split of revenues and profits across the different organizational forms, their investments as a percentage of sales in capabilities such as R&D and marketing, the proportion of foreign sales out of total sales etc. for the twenty year period 1990-2010, post-liberalization.

“Figure 1 goes about here”

Based on the data available in CMIE *Prowess*, the number of companies active in India was just below two thousand in the year 1990, which saw a steady increase over the next twenty years to about 8390 in 2010 (see Figure 1). The number of companies grew steeply at nearly 12% per year during the first decade post-liberalization from about two thousand in 1990 to over six thousand by the year 2000. The growth for the last decade has stabilized at about 3.5% per annum from 6029 in 2000 to about 8390 in 2010. Based on the dominant owner holding a controlling ownership stake, the organizations in *Prowess* can be grouped into four key organizational types – state-owned enterprises, subsidiaries of foreign multinationals, firms affiliated to business groups and stand-alone private firms. Out of the 8390 firms in *Prowess* in 2010, a majority of the firms (5167) were private stand-alone firms. A sizeable proportion (nearly 30%) of the total number of firms (2393) were owned by business groups. Interestingly, the number of state-owned enterprises saw a steady rise even in the post-liberalization period – from 150 in 1990 to 296 in the year 2000, and further to 388 in 2010. On the other hand, foreign-

owned firms saw a steep rise from 193 in 1990 to 442 in 2010. However, most of this increase occurred in the first decade post-liberalization, with the number of foreign-owned firms increasing from 432 in 2000 to just 442 in 2010.

“Figure 2 goes about here”

The distribution of revenues across these four sets of companies reveals a very different picture (See Figures 1 and 2). Firms belonging to the business groups account for the highest proportion of the total revenues – net sales of Rs. 17,081 billion out of the total Rs. 43,836 billion in 2010. The continued significance of the state-owned enterprises in the Indian economic landscape, twenty years after privatization and liberalization measures were unleashed, is indicated by the fact that they account for net sales of Rs. 15,080 billion, next only to business group firms (See Figure 2). This is despite the fact that public sector firms constitute only 388 in terms of number of companies. Foreign firms saw a steady increase in revenues constituting a sizeable Rs. 3,348 billion out of the total revenues. Importantly, though foreign firms did not grow much in terms of the number of firms in the last decade between 2000 and 2010, their revenues saw a steep increase during the same decade, more than tripling from Rs. 1,049 billion in 2000 to Rs. 3,348 billion in 2010. The average revenue for a stand-alone private firm is the lowest among the four firm categories, totaling to Rs. 8,326 billion in 2010. Figure 2 also presents the distribution of profits across the four firm categories, which roughly mirrors their revenue distribution.

“Figure 3 goes about here”

In the post-liberalization era since 1991, there was increased competition in all industrial sectors with different categories of firms competing for market share. In such a competitive environment, firms are differentiated by their resources and capabilities, which play an important

role for their survival in the future. Hence, we examine the trends in investments in capabilities over time by the four different categories of firms. We look into firms' investments in two key capabilities well-established in the literature namely, research and development (R&D) and marketing. The trends in the average investments in R&D and marketing by the four types of firms – government, business group, multinational and private stand-alone – are presented in Figure 3. By far, the highest investments in R&D and marketing, as a proportion of total sales, are made by the subsidiaries of foreign multinationals followed by firms affiliated to business groups. In absolute terms, however, the investments are low - with R&D intensity reaching the levels of about 0.60% for foreign firms and about 0.40% for BG firms; and marketing intensity reaching to 7%-8% for foreign firms and between 4%-5% for BG firms. The investment in capabilities saw a steep increase in the decade immediately following liberalization (1990-2000) and then stabilized at the above levels during 2000-2010. The investments in both R&D and marketing capabilities by private standalone firms saw marginal growth post-liberalization, but remain significantly lower than foreign firms and BG firms in absolute terms. Alarming, the investment in capabilities is the lowest for government firms when compared to all other categories. The trend in investments too is a significant concern as R&D investments as a proportion of sales have not grown for the government firms during the post-liberalization period while marketing investments have actually witnessed a steep fall during the same period. This clearly indicates that although the state-owned firms continue to account for a substantial proportion of revenues and profits in the Indian economic system, they are lax in investing in capabilities. If this trend continues, it is quite likely that their continued significance and even survival in the future cannot be taken for granted.

“Figure 4 goes about here”

Lastly, we examine how well the Indian companies have integrated with the global markets post-liberalization by measuring the trends in the degree of internationalization of their revenues since 1990. As Figure 4 illustrates, there has been an exponential rise in the export intensity of Indian firms in general and particularly in the case of private standalone and business group firms. Export revenues constituted nearly 25% for private standalone and BG firms in 2010 from just above 5% in 1991. Interestingly, the export intensity for an average foreign firm too went up from about 5% in 1991 to over 15% in 2010 thereby indicating that multinational firms are using India as a base for further exports. The average export intensity of the government firms nearly halved in the decade immediately following liberalization and then picked up to the original levels of about five percent in the following decade. Still, government enterprises were the only category of Indian firms that did not see a growth in their degree of internationalization post-liberalization.

Papers in the Special Issue

The four articles in this Special Issue nicely represent and reflect the rich organizational landscape of India and illustrate how it can be leveraged to address interesting research questions. The papers contribute to a diverse range of topics – international business, entrepreneurship, strategic networks and strategic responses of firms to institutional changes. They also employ a wide range of methodologies from case study method to large sample statistical analysis of survey and archival data. Together, they point out the enormous research promise that the Indian context offers.

The past two decades have witnessed a rapid increase in the overseas expansion of emerging economy firms across various industries and countries, with acquisitions as a primary mode of expansion. This intriguing phenomenon has generated high interest among scholars

(Aulakh, 2007; Guillen and Garcia-Canal, 2009; Khanna and Palepu, 2006; Luo and Tung, 2007; Ramamurti and Singh, 2009) as well as practitioners (BCG, 2009; Business Week, 2006; OECD, 2006; The Economist, 2008), to explore and understand the unique internationalization processes of these emerging multinational enterprises (EMNEs). Among firms from emerging economies, Indian firms have been at the forefront in making overseas acquisitions during the past fifteen years and hence constitute an ideal context to study value creation through cross-border acquisitions (Gubbi, Aulakh, Ray, Sarkar and Chittoor, 2010). This special issue has a paper by Gubbi that explores the appropriate ownership structures of cross-border acquisitions (CBA) for EMNEs given their distinct motives for internationalization. Drawing upon resource dependence and bargaining power theories, this paper argues that EMNEs are more likely to acquire full ownership and create wholly owned subsidiaries when their underlying motivation behind the CBA is market seeking. On the other hand, when the motive behind the CBA is to acquire strategic assets, the EMNE is more likely to share ownership. However, this governance structure is likely to reverse when the EMNE in question is a high performer in home markets. Superior performance in its home market makes an EMNE attractive and valuable for the target firm and moderates the power imbalance and mutual dependencies. The theoretical model proposed by Gubbi is supported by empirical evidence from a sample of 979 CBAs by Indian firms during the period 2000-2010.

Another article in the Special Issue by Prashantham, Dhanaraj and Kumar, is an interdisciplinary paper that contributes to the fields of international business and entrepreneurship. In this paper, Prashantham et al. explore the relative importance of network ties for new ventures within and outside geographic clusters and also the relative contribution of ethnic vs. non-ethnic ties to the internationalization of new ventures. Drawing on theories of

economic geography and diaspora networks, they argue that new ventures outside clusters have a greater motivation to develop ethnic ties to overcome resources disadvantages, but new ventures inside the clusters can exploit these ties better. However, they point out that novel information needed for internationalization is more likely to be supplied by non-ethnic ties and hence they are likely to have a more positive influence on new venture internationalization than ethnic ties. They offer empirical evidence for their predictions from quantitative analysis of survey data from 102 Indian software new ventures as well as qualitative analysis from 22 in-depth interviews.

The third paper in the special issue, by Ghauri, Elg and Schaumann, explores how MNCs build legitimacy and business success in culturally distant emerging markets based on in-depth case studies of two Swedish multinationals, Tetra Pak and Axis, in India. To strengthen its position in a developing market, Ghauri et al. posit that an MNC should first establish itself as a good corporate citizen displaying social responsibility and respect for local cultural values. They build their arguments based on exchange theory and contend that this will help the MNC build relationships with political and social actors, which will in turn help in business success. MNCs can also indirectly gain power and influence technological standards by building trust with network partners and by running educational programmes in partnership with them. They, however, caution that firms need to strike a balance between their efforts to build long term legitimacy and the activities to obtain short term gains. Their paper illustrates that the high potential of emerging markets such as India can be realized by foreign multinationals only when they understand and learn the processes to gain legitimacy and establish their position.

The last paper in the Special Issue by Stucchi, Pedersen and Kumar makes an important contribution to the literature studying the effect of institutional changes on firms' internationalization by opening the black box of institutional changes. They conceptualize

institutional changes as belonging to two distinct categories due to their inward and outward oriented effects on firms' internationalization. Institutional changes that facilitate and remove hurdles for the entry of foreign firms into emerging economies have been categorized as inward-oriented. These could include incentives to attract foreign investment into those countries. On the other hand, there is another set of institutional changes that aim to incentivize and facilitate domestic firms' investments in foreign markets by easing any regulations that are restrictive. These can be categorized as outward-oriented institutional changes. Using the context of Indian firms, Stucchi, Pedersen and Kumar theorize that the relative influence of inward and outward-oriented institutional changes on their internationalization will be different. Further they argue that the relative influence of the different types of institutional changes will be moderated by the firms' affiliation or non-affiliation to business groups, which are an important constituent of the economic landscape of emerging economies.

Some Future Research Themes

The papers in the Special Issue are but just a pointer to the variety of research opportunities that the India context provides. We are convinced and believe that the Indian context can be used to conduct theoretically novel and managerially relevant research in the areas of innovation, entrepreneurship, internationalization, strategic management, organizational structures and governance, among others.

Furthering Business Group (BG) Research

It is now well established that diversified business groups play an important role in the socio-economic landscape of many economies (see Khanna and Yafeh, 2007; Yiu, Lu, Bruton, and Hoskisson, 2007, for a review). The dominant explanation of their existence has been that they fill institutional voids in underdeveloped economies (Khanna and Palepu, 1997). However,

even though we see significant economic liberalization and improvement in the institutional environment in many economies over the past two decades, BGs continue to thrive and prosper, and new business groups have emerged. Recent research using the Indian context has proposed some conditions under which BG firms continue to have advantages over stand-alone firms even when capital markets develop (Chittoor, Kale and Puranam, 2015). Indian context forms an ideal setting for pushing the BG research forward. First, firms belonging to business groups form an important part of the Indian corporate sector - they constitute about one-third of the proportion in terms of the number of firms, and over two-thirds of the proportion in terms of revenues and profits. Second and more important, information about group affiliation is transparent and fairly unambiguous in India as these firms publicize their group affiliation and each firm is a part of only one group (Khanna and Rivkin, 2001). Another way the BG research can be furthered is by going beyond the typical dichotomous categorization into BG-affiliated and non-affiliated firms and by exploring the enormous heterogeneity among business groups. BGs differ across many dimensions including in their product diversity, corporate strategy, professional management, governance and so on. India, with over five hundred distinct BGs, presents a fertile opportunity to explore these BG-related research questions. From a political-economy perspective, business groups in India also provide a fertile context to examine state-business interactions and their evolution given the liberal market reforms with the context of globalization. Unlike the Chinese context, business groups in India emanated and continued growth outside direct state control, but with the blessings of successive political regimes. The indirect state support came in the form of selective protectionism from foreign competition, financial support through state-owned banks and state-owned institutional investors, among others. An understanding of the continued nexus of big business groups and the state in India provides an interesting setting and comparing the

Indian context with other emerging economies has the potential to understand the emerging field of comparative state capitalisms (The Economist, 2012; Musaccio, Lazzarini & Aguilera, 2015).

Firms' Strategic Responses to Institutional Changes

Economies around the world have been going through significant economic reforms and institutional changes in the past two or three decades. These institutional changes constitute both a tremendous challenge as well as a great spring of opportunity for incumbent firms. How do these changes in the institutional environment affect firms and how do firms cope and strategically respond to such changes are important questions for research. Most of the literature on strategic adaptation of firms to environmental changes was located in the context of market driven economies where the governments' influence on firms is limited. India is a natural experiment setting to examine such questions as it has undergone significant institutional changes both at the level of the overall economy and at the level of various industry sectors. The economy-wide institutional changes include a change of ownership of key sectors in the economy from government to private sector, founding and development of market institutions in financial, legal and labor markets, and a wide range of measures to liberalize trade and open up the economy to competition from foreign players (Ray, 2003).

Individual industry sectors underwent paradigm changes too. Take for example, the Indian pharmaceutical sector. In 1994, India became a signatory of World Trade Organization (WTO) and committed to introduce product patents by 2005 after a permissible transition period of 10 years. The Indian government introduced a new intellectual property regime based on product patents from January, 2005 onwards. This patent regime change has significant implications for the Indian pharmaceutical industry. Reverting to the product patent regime would provide the protection sought by leading global pharmaceutical firms to bring in their best

products to India and would result in a steep increase in competition. This also marked a dramatic strategic change for Indian pharmaceutical firms, which had traditionally survived manufacturing and selling reverse-engineered patented drugs in India by exploiting the prevailing process patent regime. Researchers can exploit these economy-wide as well as sector-specific institutional changes in India as a natural experiment setting to explore questions that are interesting and important.

Emerging Market Multinationals

Many firms from Asia and other emerging markets are transforming themselves into ‘emerging market multinationals’ (EMNCs) by successfully competing with traditional MNCs from developed economies. A growing body of work has argued that the internationalization processes and trajectories of EMNEs differ significantly from those of the multinationals from the West (Ramamurti, 2004; Mathews, 2006; Luo and Tung, 2007; Aulakh, 2007; Guillen and Garcia-Canal, 2009). Internationalization theories developed in the Western context overlooked the active role played by the state and neglected the institutional or contextual perspective in the internationalization of Asian firms (Yeung 1994, Zutshi and Gibbons ,1998). Indian transnational corporations now constitute a significant proportion of global corporations and can be studied to further research on EMNCs. While recent work on EMNCs has captured in detail how their internationalization paths are unique and differ from traditional MNCs, we are yet to fully understand some of the fundamental drivers of their distinct and risky internationalization trajectories. What strategies and processes led EMNCs to overcome their late mover and resource disadvantages to emerge as multinationals? How does the experience of Indian multinationals contribute to the broader understanding of ‘emerging multinationals’? These are but a few research themes connected to EMNCs that can be explored by studying the Indian

multinationals.

'Reverse' Innovation

Historically, innovation and new product development activities have been primarily centered in developed countries. Companies developed products in the more advanced economies and sold them with few modifications in the developing economies. However, there has been an emerging trend of 'reverse' innovation, where a growing number of multinationals are developing products suited to the local requirements of developing countries and then finding markets for them in more advanced economies (Govindarajan and Ramamurti, 2011). *The Economist* chronicled some interesting examples of such innovations in its 2010 special issue titled 'The world turned upside down', and noted that "the emerging world, long a source of cheap labor, now rivals the rich countries for business innovation" (*The Economist*, 2010; p.1). India is a source of many such innovations, a lot of which are 'invisible' as the innovations are primarily in processes and business models (Kumar and Puranam, 2012; p.7). One example of such an innovation in business model is that of the famous Aravind Eye Hospital based in Southern India, which reduced the cost of cataract surgery to about one-tenth that of the hospitals in the West, while achieving comparable quality in the procedures (Rangan, 1993). India, once again, is an ideal setting to push forward the fast growing research on reverse innovation. Govindarajan and Ramamurti (2011) develop a rich agenda for research on reverse innovation, which we do not repeat here.

Conclusion

This Special Issue was an attempt to highlight the rich potential, which the unique organizational landscape of India offers, to further our theories of management. In this introduction, we provide a historical perspective of how such an agglomeration of commercial

organizations – a unique mix of state-owned enterprises, subsidiaries of transnational corporations, affiliates of large and diversified business groups and stand-alone private firms – has come about. We also provide a brief overview of four excellent papers in this Special Issue that exemplify how such a rich organizational context can be leveraged. At a broader level, this Special Issue aims to draw the attention of management scholars on how emerging economies such as India can be effectively leveraged to address theoretically novel research questions. To this end, we sketch a few research themes and ideas as future research directions. We hope that this Special Issue on India serves as one of the many catalysts to motivate a rich body of future work that leverages the Indian context, but one which is globally relevant.

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Figure 1: Commercial Enterprises in India

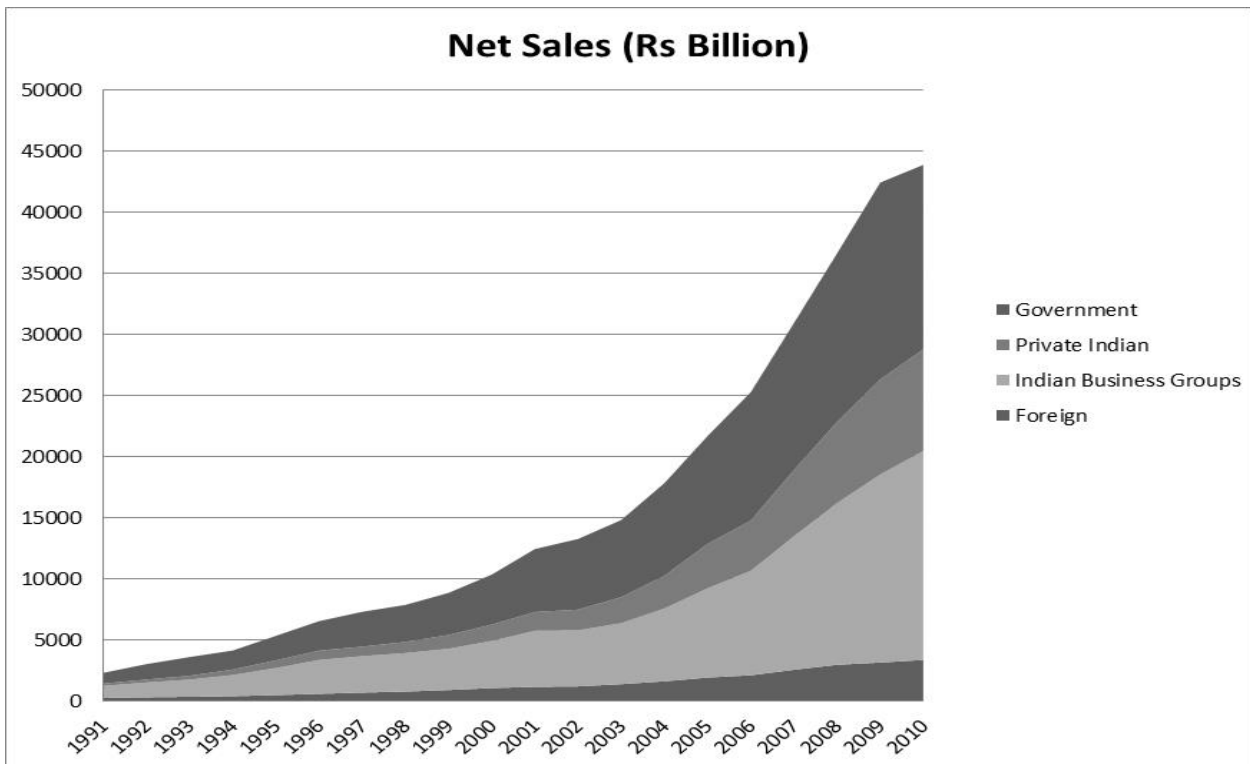
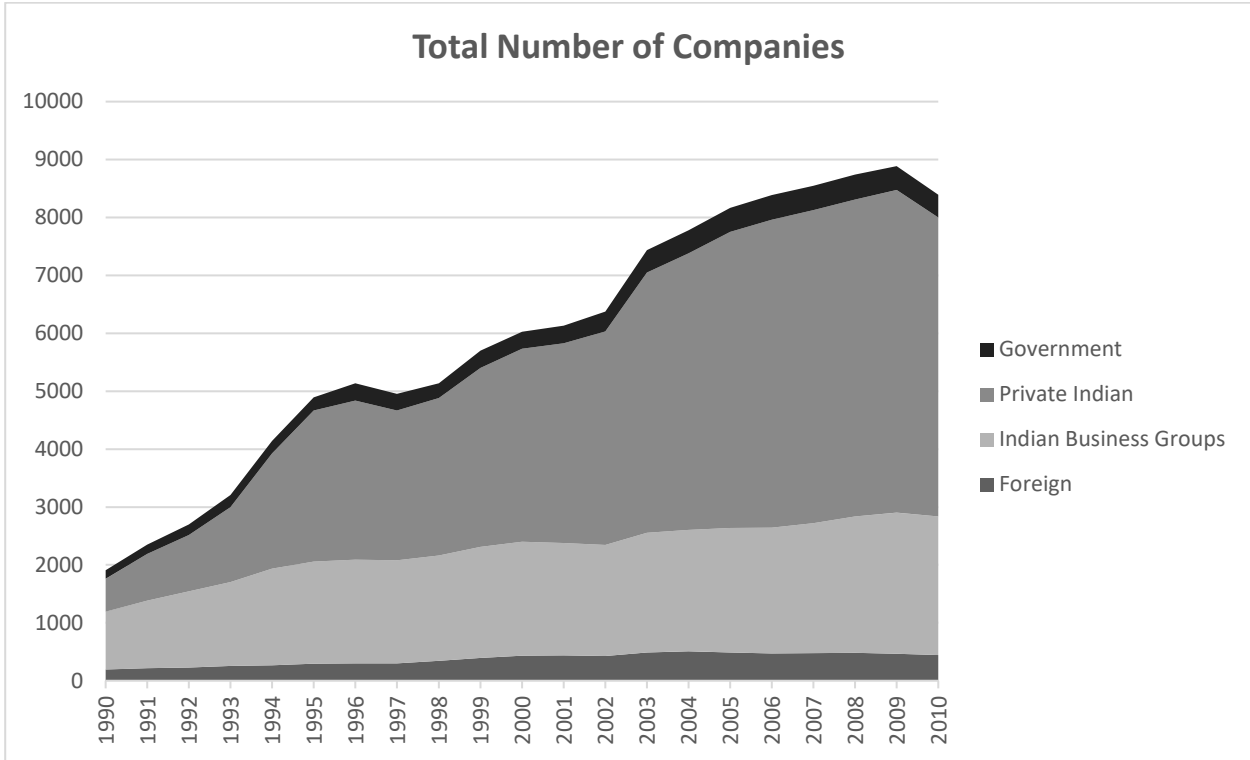


Figure 2: Relative Contribution of the Different Types of Organizations

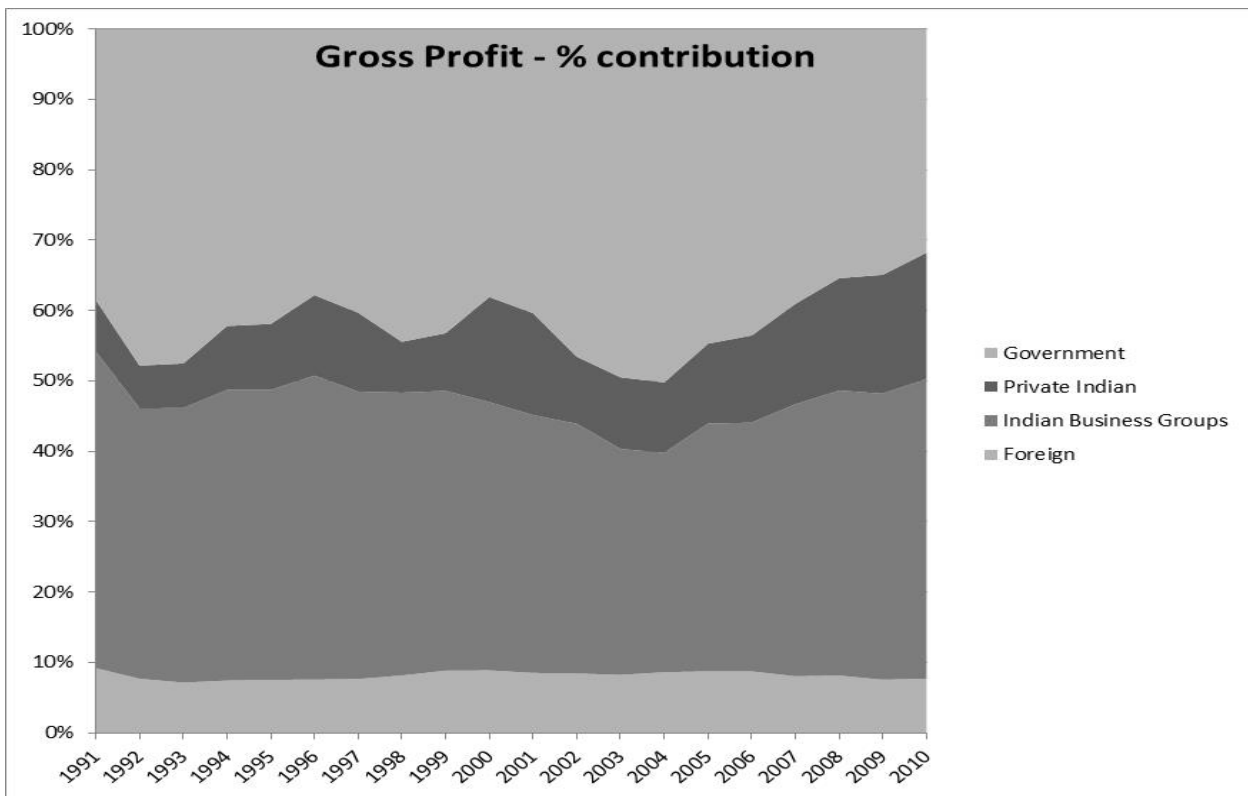
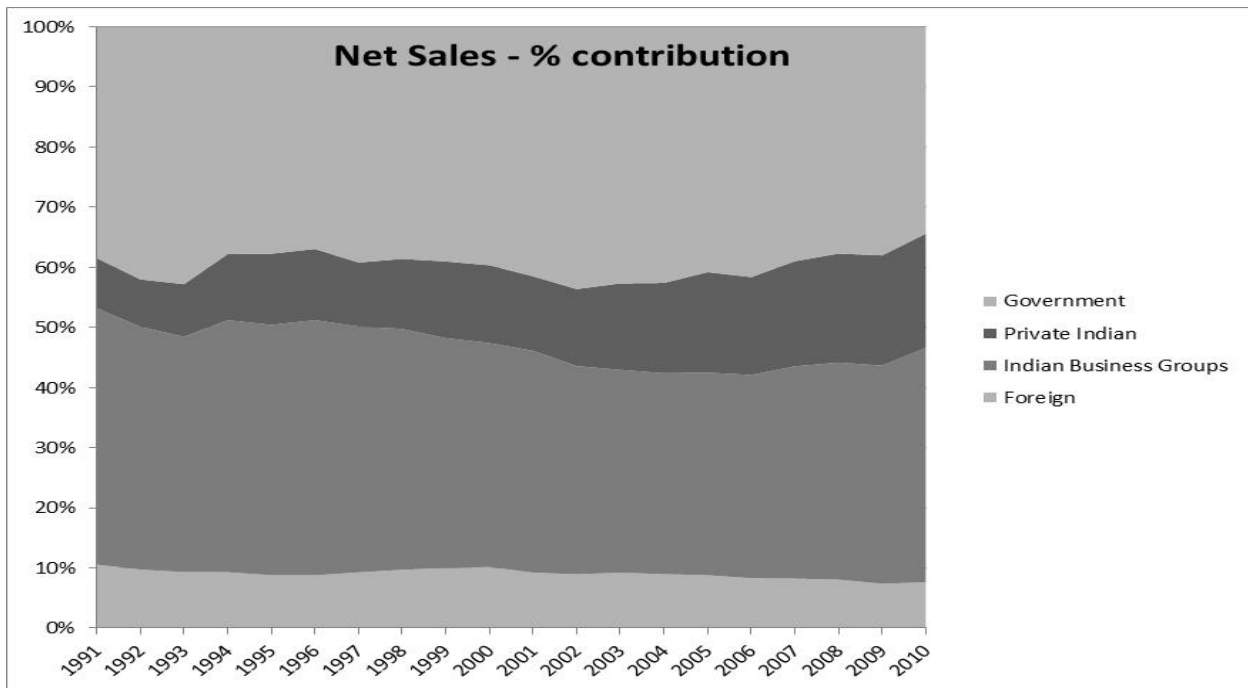


Figure 3: Investments in Capabilities by Companies

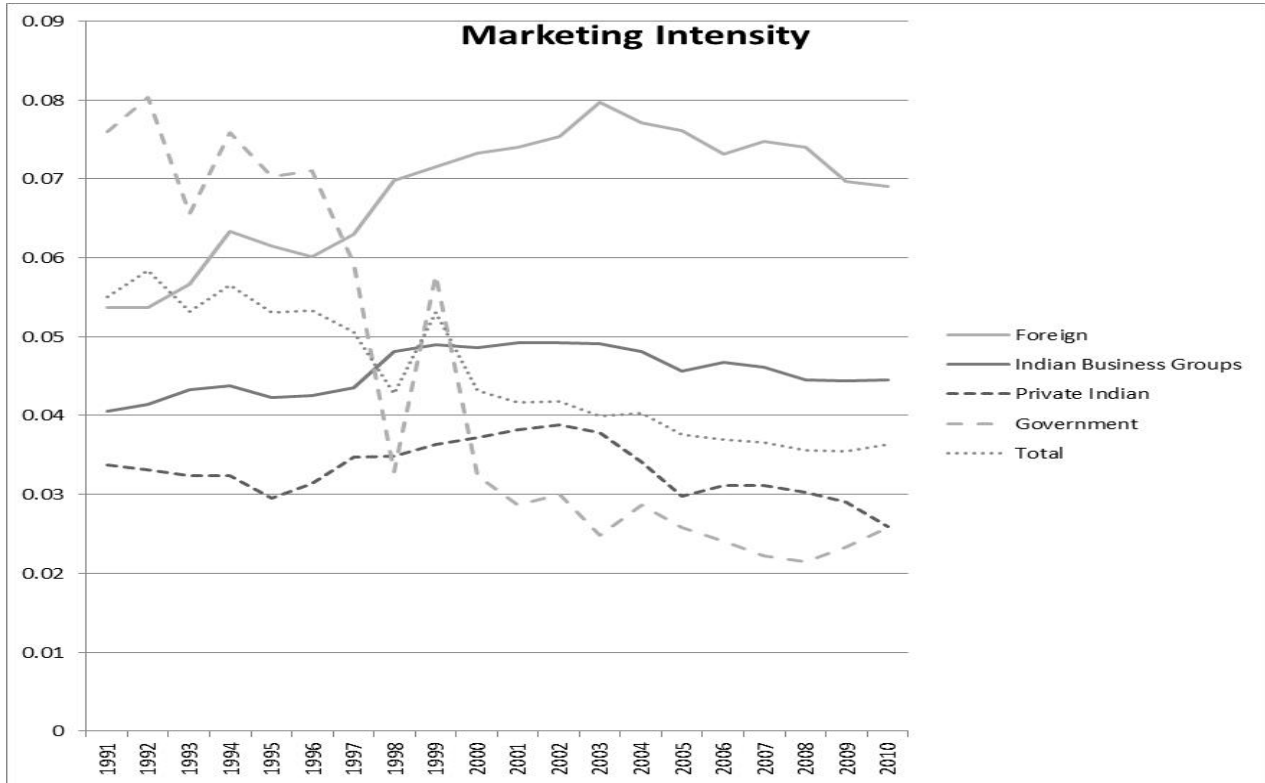
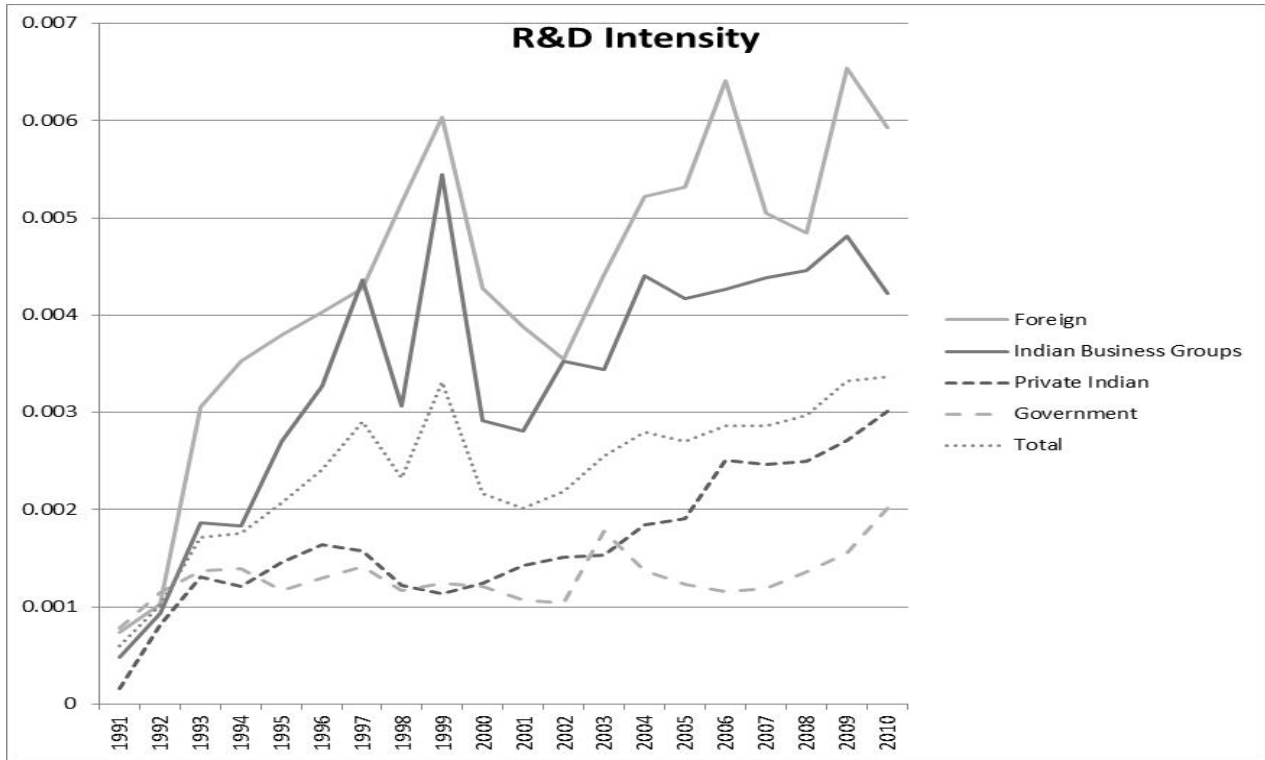


Figure 4: Degree of Internationalization of Indian Companies

