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Should You Expand Your India-Based Company Globally?

To understand why expansion is good for India-based companies, you may find it helpful to analyze the limitations companies in India face domestically and the opportunities available abroad. We'll discuss these factors and explain how to expand your India-based company globally so you can usher in a new era of growth.

Is now a good time for companies to expand outside of India?

There have been good reasons to concentrate on growing your business in India for some

time, but now is a smart time to look outward at growing your business globally.

The last two decades have seen incredible levels of growth in India's economy with unprecedented amounts of foreign capital inflows. However, in recent years, economic growth has slowed substantially. Even before the pandemic, India's growth forecast dipped to its lowest since 2009. With the country's dwindling domestic economy, this is an apt time for India-based companies to look outward and consider whether global growth would benefit their business.

Another reason to consider looking abroad is if your company has run into any recruitment challenges in India. For the past two decades, before the pandemic, India's unemployment rate hovered around 5.5 percent. This has been a positive aspect of the nation's economy, but a potential challenge for companies trying to recruit talented job seekers.

Some companies may struggle to find available workers with the right skills. India's labor market statistics are not thorough enough to offer much insight into this issue, but anecdotal evidence suggests that many companies feel the local talent is insufficient for companies' needs. For example, "The Startup Guy" Vijay Anand hosted an informal Twitter survey asking entrepreneurs if India has a shortage of talent to build world-class startups, and just over two-thirds of respondents answered "yes."

This is a good time to consider global growth for more reasons than domestic deficiencies — there are unique opportunities available. Companies in India and abroad have found it relatively easy to form collaborative partnerships and gain a competitive edge by expanding their operations to other countries and regions.



Why is global growth beneficial for India-based companies?

There are many reasons to consider expanding your company globally. Any one of these benefits can be enough to make global growth a positive move for your company. In some cases, you may be able to capitalize on multiple or all of these benefits to grow your company significantly.

Enhance brand visibility and reputation: One reason to consider global growth is to widen your brand recognition abroad, which can, in turn, enhance your reputation domestically, as well. Earning the title of “multinational corporation” or “global business” can lend further credibility to your brand identity and encourage other businesses or consumers to view you as a leader in your industry.

Form strategic partnerships: Another motivating factor for India-based companies expanding overseas is to form strategic partnerships in other countries. Joint ventures and other types of alliances can be mutually beneficial for both your company and another company in the host country where you expand. Many India-based companies have benefitted from such partnerships. A conspicuous example is the Bollywood production houses that have joined forces with global giants like Fox and Disney to distribute films in the global market more effectively.

Access global talent: India's labor force has been a significant factor that has attracted international companies to expand operations to India. However, for India-based companies, only looking to the local labor market can be limiting. No matter where you're located, you can gain wider access to top talent across the globe when you grow internationally. You can also build a more diverse workforce this way. For example, India-based companies that want to hire women may struggle to do that domestically since India's female labor-force participation is exceptionally low.

Enter new consumer markets: You can also gain access to new markets. India is home to a large consumer market that experts project to expand its purchasing power exponentially over the next 40 years. While this is a significant market on its own, India-based companies can reach far more consumers than they can in India alone when they grow operations across borders — especially if they enter markets like the U.S., China, and the European Union (EU).

Capitalize on more advanced infrastructure: One challenge of operating a business in India is the limited infrastructure in some parts of the country. Both physical and digital infrastructure can be insufficient for supporting business development. In one study analyzing the manufacturing environment of different nations, India earned a score of 57 out of 100, partly because of its deficiencies in infrastructure.

Take advantage of more business-friendly policies: India-based companies also must contend with some complicated business and tax laws that land India in 63rd place on the World Bank's ease of doing business scale. By moving certain operations into other countries known for more business-friendly policies, India-based companies can avoid layers of bureaucracy and make their operations more efficient and more profitable.

Ideal countries for an India-based company to expand into

The ideal country for your company to expand to depends on your company's motivations and goals. Below, we briefly explore four of the most beneficial countries to expand to.

1. Australia

Australia is an excellent option to consider for your company's international growth. Just a few of the factors that make Australia stand out as an expansion destination include:

Expertise in various industries: Australia and India share a productive trade partnership. The Australian High Commission points out that the country's expertise and ingenuity in various sectors can make Australia a significant value-added partner for India-based companies as they grow. Some major industries in Australia include e-commerce, health and education, financial services and fintech, cybersecurity, construction, infrastructure, mining, and manufacturing.

English language: India-based companies that have English-speaking team members will appreciate that Australia is a predominantly English-speaking country. Having a common language you can use to communicate across your business locations can make business relations more effortless.

Time to start a business: Another aspect of Australia that attracts growing companies is the country's business-friendly laws, including a progressive tax structure, robust intellectual property (IP) protections, and minimal red tape. What's especially impressive is that it only takes two days to start a business in Australia, making it one of the easiest countries globally for establishing your international subsidiary.

2. Japan

A few specific reasons to consider Japan include:

- ✓ Asian connection
- ✓ Longtime business partnerships
- ✓ Skilled workforce

Japan is another location India-based companies should have on their radar. The Ministry of External Affairs of India points out that the two countries have never been adversaries and share ties across spiritual, cultural, and civilizational lines. A few specific reasons to consider Japan include:

Connections with Asia: Japan is closer in proximity to India than most other top destinations for international growth. Geographical proximity and shared values can make international business relationships easier to foster. It's also notable that the Tokyo stock exchange is the largest in the Asia Pacific region, making Japan a smart choice for India-based companies looking to expand within the continent.

Longtime business partnerships: India and Japan also have a long history of commercial partnerships. The Japan-India Association was established well over a century ago, making it the oldest international friendship body in Japan. There are far more Japan-based companies registered in India than India-based companies in Japan. However, there are still over 100 India-based companies operating in Japan. Recently, India and Japan's relationship includes a key focus on technology. The India-Japan Digital Partnership was created in 2018 and included creating the India Japan Startup Hub.

Skilled workforce: Japan is an exceptionally well-educated country, with 61.5 percent of the population having attained tertiary education. In the 2019 Best Countries survey, Japan earned the top spot globally for having a skilled labor force. Japan's labor market is tight, so

the challenge for employers will be convincing workers to join your company instead of a competitor. But finding qualified workers should be quite easy.

3. United Kingdom

The United Kingdom is a top destination for growing countries all over the world. The UK offers a wealth of opportunities and global connections. Some reasons for India-based companies to consider the UK for their global growth include:

Language connections: As with Australia, the prevalence of the English language in the UK can be a helpful feature for international communications. However, English isn't the only linguistic connection between these two countries. After Polish, the next four most commonly spoken immigrant languages in the UK are Punjabi, Urdu, Bengali, and Gujarati — all languages spoken by large portions of the population in India.

Financial and tech center: The UK — London, in particular — is known as a global financial center. It also boasts a large technology sector that has been a draw for India-based tech companies. The majority of investments made by India-based companies in London are in software and IT services, business services, and financial services.

Relationship with India: The UK's withdrawal from the EU removed it from Europe's single market, so the UK is no longer a strategic choice for gaining traction in the EU. However, part of the UK's motivation for leaving the EU was to form stronger connections with other parts of the world. A trade deal with India, which would further strengthen India's relationship with the UK, appears to be on the horizon.

4. United States

Finally, the U.S. is a popular expansion destination that India-based companies should consider. There are many reasons to expand operations into the U.S. As with Australia and the UK, the prevalence of English can be helpful. Some other prominent features of the U.S. that draw India-based companies include:

Largest consumer market: The U.S. is home to the largest consumer market in the world with a gross domestic product (GDP) of US\$20 trillion and 325 million people. The sheer size of the U.S. market can help India-based companies increase their revenue by marketing their

products or services to Americans. E-commerce is thriving in the U.S., especially in the wake of the global pandemic. After having increased 10 percent annually since 2010, e-commerce in the U.S. grew 24 percent from July 2019 to July 2020.

Pro-business regulations: The U.S. ranks sixth globally for its ease of doing business, making it the most business-friendly country on this list. The U.S. ranks especially well when it comes to getting credit and resolving insolvency. Considering India's 63rd place on the ease of doing business index, the American business environment can be more advantageous for achieving your business goals.

Hotbed of innovation: The U.S. is also known for being a hotbed for innovation in several industries. Research and development (R&D) spending in the U.S. exceeds US\$6 billion annually. The U.S. is also home to nearly 100,000 startups. India has the second-highest number of startups globally but does not come close to this number in the U.S.

How to expand your India-based company internationally

How to expand your Indian company internationally

To expand your company outside of India, be sure you:

- 1 Determine your goals
- 2 Conduct a cost-benefit analysis
- 3 Identify the most strategic country
- 4 Perform market research
- 5 Create a business plan
- 6 Consult with experts
- 7 Set up your business presence
- 8 Legally employ international workers

Growing your company outside of India can be a strategic move, but it's not something to do spontaneously. Any global growth should involve time spent on strategizing and careful planning. To expand your company outside of India, be sure you:

Determine your goals: Start by determining why you want to grow globally. Understanding your goals will help you make informed decisions that will take you closer to achieving these goals. Consider the benefits of global growth we discussed above and identify which of these benefits your company wants to take advantage of.

Conduct a cost-benefit analysis: There are always costs and risks involved in major business moves like international growth. Of course, there is also great potential for reward. Weigh out the pros and cons to complete a thorough cost-benefit analysis and confirm that you can expect a positive return on your investment by growing globally.

Identify the most strategic country: If you don't already have a specific destination in mind, now is the time to determine where you want to grow. Use your growth goals to guide your decision. Do you want to set up a research and development center? Employ highly qualified remote workers? Whatever the answer, this should help you determine the best country in which to achieve your goals.

Perform market research: Once you know where you're expanding, conduct further research to understand the market inside and out. This is especially critical if you're looking to market your company to a new audience. Determine who your target demographic is in the country and how best to reach them. International brands based in India, such as Tata and Zomato, prove that India-based companies can successfully market themselves abroad.

Create a business plan: You should also create a formal business plan to guide your global growth process, including financial considerations and a timeline, acting as the blueprint for your growth, so you can ensure each step contributes to your goals and you complete every one carefully.

Consult with experts: You will need to consult with international or in-country experts

wherever you're looking to expand to make sure you follow the relevant business, employment, and tax laws. Navigating unfamiliar laws can be one of the most difficult aspects of global growth, so it's best to outsource as much of these logistics as possible.

Set up your business presence: Another important step in many cases is setting up your business presence in the country. Most companies establish limited liability companies as a subsidiary of their India-based company in the international location. If your expansion will only include forming strategic partnerships or hiring remote workers, you may not need to establish a business presence in the country.

Legally employ international workers: Employing workers internationally can be complicated. One of the simplest solutions is to partner with an Employer of Record (EOR) with a presence in the country where you're recruiting. An Employer of Record can handle legal compliance, payroll, and other HR functions for your international employees so you don't have to invest time and energy into these efforts or set up a subsidiary.

Expand your India-based company internationally with Globalization Partners

If you want to expand your company outside of India, you need a trusted partner to help you plan and execute your growth strategy with great success. Globalization Partners' end-to-end global employment platform can help you streamline and organize your global growth in one place. Globalization Partners is also an Employer of Record that can serve as the legal employer of your international workers in 187 countries worldwide, handling the HR tasks that would otherwise distract from your core competencies. To get started, request a proposal today.