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CREATING COMPETITIVE ADVANTAGE BY GOING ABROAD: A CASE STUDY OF TATA STEEL

ABSTRACT

Through different types of mergers and acquisitions, what started off as a motive for Tata Steel to increase their market expansion had led to diversifying their investments, gaining experiences and new knowledge sets through market and technology learning about different business environments. While the existing studies most simply look at fragmented cases of what advantages Tata Steel had in comparison with other steel firms to go abroad, this paper demonstrates that Tata Steel's competitive advantages were not innate, but rather created through continuous learning, collaboration, and outward investments based on the Imbalance Theory. Thus, hadn't been Tata Steel's motive to learn market and technology in different business settings after market expansion, it would have not become the top global steel player today.

Key Words: entry mode, OLI paradigm, imbalance theory, FDI, Tata Steel, India, MNC

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INTRODUCTION

With backing of a strong economy and plans to expand steel production, Indian steel industry is on a fast track growth path to soon become the world's second largest steel producer. Low cost steelmaking and high growth markets have fortified the resurgence of the steel industry in India as steel consumption per capita continues to increase due to its rapid growth in industrial sectors such as construction, infrastructure, and automotive. However, the Indian steel sector may be going through a challenging phase at the same time. Due to the challenges of poor research and innovation, low productivity, and bureaucratic delays in land acquisition, many Indian steelmakers are faced with greater concern to meet their growth goals. Demand deficits occurring from the challenges above have led to a slowdown in steel consumption in contrast to major steel producing countries.

Understanding that achieving growth goals through organic means in India is not the fastest and the most efficient approach, Tata Steel began to seek and create opportunities to invest abroad through different types of mergers and acquisitions as a core part of the company's strategy for continuous growth. While the existing studies generally argue that MNC's attempt to invest abroad is simply because of ownership-specific advantage that gives the firm a competitive edge over other competitors in foreign markets, this paper demonstrates that the extended framework of the Imbalance Theory can explain business practices from firms in developing countries to developed countries (upward to downstream foreign direct investments; FDI). Thus, it argues that MNCs from both developed and less developed countries invest abroad not only to exploit existing resources but also to explore and complement what they lack in the current status (Moon and Roehl, 2001). To validate this theory, an in-depth case analysis will be conducted on some of the motivations behind an Indian multinational corporation (MNC), Tata Steel's outward FDI (OFDI) through M&A in exploring and making up for their disadvantages.

The purpose of this paper is to answer the following questions: Based on the Imbalance Theory of FDI, how successfully did Tata Steel exploit its competitive assets and complement what they lack in the current status through M&A? If so, could firms from both developed and less developed countries like ThyssenKrupp and Tata Steel respectively seek to complement each other's weaknesses by bringing synergistic effects? The main analytical framework of explaining the competitiveness of Tata Steel is the Imbalance Theory (Moon and Roehl, 2001) and the Generalized Double Diamond Model (GDD Model; Moon, Rugman, and Verbeke, 1998). First, the Imbalance Theory is used to

prove that in order to overcome the disadvantages of the home country; Tata Steel increased their investments abroad to complement their shortages in resources. Such investment behavior and motivations for Tata Steel to respond to critical challenges faced in the home country can also be illustrated based on the Generalized Double Diamond Model, which incorporates both transnational corporation activities (Moon, Rugman, and Verbeke, 1998) and unconventional OFDI explanation (Moon and Roehl, 2001).

Porter's (1990) diamond model is comprised of four attributes: factor conditions, demand conditions, related and supporting sectors and strategy, structure, rivalry sectors which mainly dealt with domestic contexts. Noting that Porter failed to incorporate the effects of multinational activities in his model, it has been further extended by Moon, Rugman, and Verbeke (1998) to include the international dimensions. In conventional FDI, ownership advantages (e.g. technology, capital) are what motivate firms to venture abroad whereas in unconventional FDI, ownership disadvantages (e.g. small home market, lack of technology and resources) are often what encourage firms to seek resources abroad in which they critically lack in.

Moon and Roehl's (2001) Imbalance Theory of FDI has incorporated both advantages and disadvantages as sources of imbalance with a case study analysis on two Korean chaebols, Samsung and LG in electronics industry. To differentiate the imbalance approach from explaining some of the conventional and unconventional FDI through examples of Korean firms, it is also useful to discuss several firms from developed countries (e.g. Germany, UK) and less developed countries (e.g. India) in steel industry.

LITERATURE REVIEW

OLI paradigm

John Dunning's OLI Paradigm (2001) or so called the eclectic paradigm can be once traced as the most prevalent theory of FDI. In FDI studies, resources are mobilized across national borders. However, many firms have limited access to such resources as only a few firms, like MNCs, are capable of extracting the benefits of attaining scarce resources across national borders. Moreover, some resources are even confined to certain locations that are unable to transfer from one place to another. Based on these assumptions, Dunning (2006) asserts two kinds of resources, one that is embedded in firms and the other one in the location. Dunning called these as ownership advantage and

location advantage respectively, thereby identifying and evaluating the significance of factors influencing FDI. The internalization theory was later adopted and added as one of the tripods to the OLI paradigm. Hence, the OLI paradigm explains why, where, and how MNCs invest abroad.

The most fundamental variable that constitutes the OLI Paradigm is the ownership advantage or managerial resources. When MNCs compete with local firms, they must possess firm-specific advantages or so called the monopolistic assets to compensate for the costs of foreignness. The ownership asset refers to the property rights or intangible asset advantages that arise from abundant firm resources, which are required to match the existing markets (Dunning, 2001).

Depending on where they choose to invest, MNCs with the ownership advantage may decide on with different investment plans. The location advantage is immobile factor endowments or intermediate products in host countries in which many MNCs seek for overseas investment due to the lack of location-specific resources such as natural resources, cheap and large labor pool, and market size (Dunning, 2001). Many firms also seek to create and benefit from opportunities that arise from the created assets bounded by cluster of firms and of that are not readily replicable by other countries (Porter, 1998). The reduction of risk coming from the government's intervention in structural market imperfections is one of many other reasons firms also consider when investing abroad.

The purpose of internalization is to reduce costs coming from unnecessary transactions in the external market and increase efficiency through integration with other firms (Dunning, 2001). When firms have chosen to exploit their competitive advantages through international production, they need to know how they're going to invest. As a response to the transactional market imperfections, firms need to carefully consider the degree of control or ownership when engaging in foreign production to gain greater return in investments for the firm (Dunning, 2000). This is mainly because firms' assets or ownership advantages within the firm can be readily replicable when licensing to an outside firm. It is also difficult to operate under contractual agreements between two firms for the good or service that are being produced as it is easier to produce within the firm and retain certain or complete control over the process.

While Dunning's OLI paradigm provides very comprehensive, yet careful analysis of MNCs' FDI motivations, it has its own limitations. Earlier studies of FDI were simply based on MNCs from developed countries that have competitive advantages over firms mainly from developing countries. While the conventional internalization path argues for

downward investment from developed countries to developing countries of upward investment (Amsden, 2001), one important question still remains, “How can we explain the unconventional FDI by the firms from developing countries?” That is to say, MNCs from developing countries feature different characteristics in nature than those from developed countries. Firms in developing countries do not possess critical monopolistic advantages such as technology and managerial capabilities that can outweigh the costs of foreignness in doing business in unfamiliar foreign countries.

Imbalance Theory of FDI

In order to answer the following question of what motivates firms from developing countries to invest abroad, Moon and Roehl (2001) introduced the ‘Imbalance Theory’ put forth by Penrose’s (1959) idea on the imbalance in the firm resource asset (Moon and Roehl, 2001). While Dunning puts greater emphasis on the need to identify the ownership advantages such as technology and managerial capabilities when seeking overseas investment, Moon and Roehl (2001) insisted that the motivation of OFDI from developing countries is not only to exploit the existing resources, but also to complement what firms lack in the current status. In other words, when firms do not possess important assets such as technology or capabilities, they will venture abroad to complement and make up for any shortage in resources. Thus, by diversifying firms’ investments in diverse countries, they are able to attain new experiences and knowledge in doing business in different environments to balance out their imbalances. While the conventional FDI studies do not explicitly incorporate the less developed countries’ disadvantages, the Imbalance Theory expands the view on both advantages and disadvantages in developed and less developed countries through unconventional FDI activities.

STEEL INDUSTRY OF INDIA

Steel production in India has been growing at a fast pace. India is currently the third largest producer of steel after China and Japan. In 2016, the steel sector itself contributed over 2% of the nation’s GDP and has provided more than two million jobs (IBEF, 2016). The rising domestic demands in sectors such infrastructure, real estate, and automobiles have been steadily driving the growth, which accounts for more than 65% of the steel consumption in India. With the Indian government’s plans to increase domestic steel

capacity to 300 million tonnes per annum by 2030, growth in both public and private sectors of steel is expected to accelerate with new policies on “Make in India” initiative, import of foreign technology, and FDI (Ministry of Steel, 2015). According to India Brand Equity Foundation (IBEF, 2016), growth in market value has been continuously increasing much from the surge of domestic steel prices and production.

Simultaneously, based on the growth that demand has outpaced supply over the last five years from 2012 to 2016, consumption per capita continues to increase with a rapid growth in industrial sectors and thriving infrastructure projects in railways, roads, and highways (IBEF, 2016). As a result of the growing domestic demand, both public and private Indian steel players have been heavily investing over the last two to three years in augmenting their steel production capacity. With backing of a strong economy and its target to expand steel production, it seems very promising that India is soon to become the second largest steel producer in the upcoming years.

Challenges of the Indian steel industry

Given the emerging opportunities from the global integration of the economy and the growing domestic market for industrial products, the Indian steel industry has become the hub of the future growth where much of substantial investments, both inward and outward, were currently being pursued. However, the on-going issue looming large in the Indian steel industry has been detrimental in enhancing its global competitiveness. Precisely, the ripple effect from the lack of technological innovation, lack of productivity, and regulatory delays in land acquisition have led many Indian steel firms including Tata Steel to look at global asset base to complement their needs. The next section will discuss how these three issues at measure have been slowing down the growth of the Indian steel industry.

Lack of technological innovation

While cheap labor, abundant source of domestic raw material and continued consumption-driven economy have helped leverage its substantial steel capacity, the Indian steel sector still lags innovating new technologies for steel production due to lack of investment in R&D by major steel players (EY Global Mining & Metals, 2014). Consequently, imported technology is available, but there is a dire need to facilitate the development of domestic technologies that are compatible with domestic raw material. For instance, in terms of the quality of raw materials, local coal contains high ash content

while iron is of low grade, which requires the need to invest in developing technologies that are able to upgrade various raw materials for high quality steel production. Enhancing R&D and innovation in the steel sector not only lowers the capital costs but also reduces the dependency on imported raw materials (EY Global Mining & Metals, 2014).

Low productivity

The major source of competitive cost strength in Indian steel industry lies in low wage costs, which is fortified by abundant, cheap labor. However, labor productivity has not been the same across the steel plants in the country. Low productivity in India is at 90-100 tonnes, which is one of the lowest in the world. This is a huge contrast to Japan, Korea, and some other major steel producing countries that produce 600-700 tonnes per man per year (Raju, 2015). High wage costs without a proportionate rise of productivity have been detrimental to many Indian steelmakers as well as international steel-producing companies. Therefore, there is an urgent need to increase the productivity including restructuring of the labor force.

Regulatory delays in land acquisitions

Furthermore, there are also significant delays on various fronts. Despite the national policy' efforts to facilitate the creation of additional steel capacity by promoting 'Make in India' campaign, regulatory approvals take exceptionally a long time, resulting in delayed steel projects. Due to several policy and procedural issues, delays in the acquisition of adequate land have affected many expansion and modernization projects (Malkani, Surana, and Verma, 2013). Not to mention, according to the World Bank Doing Business Report Index, let alone in 2016, India was ranked 130 among 190 countries overall for ease for doing business mainly due to its complicated regulatory environment (Albur and Kapoor, 2016). Thus, it remains as a critical challenge for any firm doing business in India.

India's steel consumption growth

The consumption of steel has been an important indicator in noting that the domestic consumption was severely affected by the challenges listed above. The consumption per capita of steel in India itself is high but taking into account that India has a large population that will require a significant steel intensive infrastructure, it remains very low compared to other peer groups in BRICs or developed countries. According to the Table 1 provided by the World Steel Association, India's consumption per capita of steel is at

around 63 kg while the global average is at 208 kg with a slight increase of 7kg from 2011 (Firoz, 2017).

Many steel industry experts and the Indian government have already scaled down their aim of increasing steel production capacity to 300 Mt by 2030 to about 225 Mt in order to reach the global average in per capita consumption of 209 kg (Firoz, 2017). Thus, the country's per capita steel consumption has grown far too slowly from the very start. This justifies the need for the challenges hindering the prospects of growth of the steel industry to be addressed in order to increase the capacity and production of steel. Additionally, it is important to note that the selected countries in Table 1 are listed in no particular order or criteria. It is simply addressed in order to compare India's per capita finished steel use to major steel producing countries and its world average.

Table 1. Finished Steel Use in Selected Countries per Capita

Countries	2011	2012	2013	2014	2015	2015
China	475.8	487.0	539.5	519.0	488.6	492.7
South Korea	1142.5	1089.9	1038.4	1108.8	1113.6	1130.2
Japan	503.7	503.0	513.8	533.9	497.6	492.6
USA	285.5	305.6	301.8	335.0	297.4	282.7
India	55.9	57.3	57.6	58.7	60.6	63.0
World (average)	205.7	207.4	217.8	217.1	208.2	207.9

Source: Firoz (2017)

Tata Steel company overview

Established in Jamshedpur in 1907, Tata Steel is the world's second most diversified steel producer today with operations in 26 countries and commercial presence in more than 50 countries. Tata Steel is the 11th largest steel producer with a crude steel capacity of 27.5 million tonnes per annum with an end-to-end value chain, catering an array of market segments for finished steel products. (Tata Steel Group, 2017). Two of the biggest manufacturing and finishing mills are located in India: Jamshedpur facility with a crude steel capacity of 10 million tonnes per annum manufacturing flat and long steel products and Kalinganagar facility with a capacity of 3 million tonnes per annum manufacturing flat products only (Tata Steel Group, 2017).

TATA STEEL'S APPROACH TO GLOBAL PRESENCE

In response to the greater concern that India steel sector had been facing from lack of innovating new technologies for high steel production, low productivity, and significant delays from regulatory approvals, Tata Steel did not buy the claim that achieving the growth goals through organic means in India was the fastest and the most efficient approach, especially for large capital projects* (Dobbs and Gupta, 2009). Additionally, there weren't many promising opportunities for growth through acquisitions in India, particularly in the steel sector where the methods to meet its growing demand is limited. This sort of challenge strived Tata Steel to find opportunities of restructuring that were critical for the firm's long-term health.

In order to pursue the overall growth reaching strategy, Tata Steel found it necessary to go beyond India. Through different types of mergers and acquisitions, what started off as a motive for Tata Steel to increase their market expansion had led to diversifying their investments, gaining new experiences and knowledge sets through market and technology learning about different business environment. When Tata Steel acquired NatSteel, a steelmaker headquartered out of Singapore in 2004 and Millennium Steel of Thailand in 2005 as part of their initial acquisitions, it aimed to locate themselves near to an array of external markets. However, in 2007, when Tata Steel emerged as a globally competitive firm in the steel sector from a not-so-competitive one after it had merged with Europe's second largest steel producer, Corus, it began to integrate with larger organizations. Table 2 shows Tata Steel's motivations for outward FDI through M&A dating from 2004, mainly categorized by developing and developed countries.

* McKinsey on Finance (2009) conducted an extensive interview with the CFO of Tata Steel, Koushik Chatterjee to discuss about the firm's impetus in establishing a global presence through outbound M&A in response to the global financial crisis and many challenges arising from the Indian steel sector.

Table 2. Tata Steel's Motivations for Outward FDI through M&A

Developing Countries					
Country	Established Company (Year)	Entry Mode (Investment Type)	Acquired Company	FDI Motivation	Activity
Singapore	NatSteel Holdings (2004)	Wholly Owned Subsidiary	NatSteel Asia	Strategic Location	Upstream and downstream construction steel products in Southeast Asia and China
Thailand	Tata Steel Thailand (2005)	Wholly Owned Subsidiary	Millennium Steel	Market-Seeking FDI	Construction and auto steel products in 3 operating facilities across Thailand
Developed Countries					
Country	Established Company (Year)	Entry Mode (Investment Type)	Acquired Company	FDI Motivation	Activity
Australia	Tata BlueScope Steel Limited (2005)	Joint Venture	BlueScope Steel	Technology Learning	Painting and Coating Technology Transfer of COLORBOND® Steel in Jamshedpur facility, India
UK/Netherlands	Tata Steel Europe (2007)	Wholly Owned Subsidiary	Corus	Market Learning Technology Learning Strategic Location	New higher end-markets with sophisticated customer base Cross-fertilization of R&D capabilities
Japan	Tata NYK Shipping (2007)	Joint Venture	NYK Shipping	Resource-Seeking FDI	NYK Fleet - 300 vessels in all segments of the dry bulk
Canada	TATA Steel Minerals Canada (2013)	Strategic Alliance	Labrador Iron Mines	Infrastructure	Logistics, property rationalization, ancillary mutual support in iron mining operations
Germany	ThyssenKrupp Tata Steel (2018-Deal Pending)	Joint Venture	Thyssenkrupp	Complementarity in technology and market learning	Sustain and leverage R&D capabilities and innovation, improved usage, larger company size and market share

Tata Steel's market expansion into South East Asia

Tata Steel's journey for global recognition started when Tata Steel acquired NatSteel Holdings of Singapore in 2004 and Millennium Steel of Thailand in 2005 both in the form of wholly owned subsidiary as their initial acquisitions due to the nearness of the markets.

Headquartered in the heart of Singapore, NatSteel Holdings is a leading steel producer in construction industry with a steel capacity of 1.5 million tonnes per annum of premium long products and owns manufacturing and finishing mills in China, Thailand, Vietnam, the Philippines, and Australia (Tata Steel Group, 2004). Through its partnership with NatSteel Holdings, Tata Steel has acquired 100% of the equity interest in NatSteel Asia. Tata Steel NatSteel's flagship plant is the only local steel mill in Singapore with integrated upstream and downstream operations where reinforcement steel products are manufactured and customized according to customers' needs. Through the acquisition of NatSteel, Tata Steel was able to put themselves in a more strategic position through NatSteel's comprehensive regional operations across Asia.

Tata Steel also entered an agreement to buy Thailand's largest and the most dominant steel producer, Millennium Steel, for \$400 million, formally known as Tata Steel Thailand today. Millennium Steel formed a merger of three operating companies, the Slam Iron and Steel Company, the Siam Construction Steel Company and NTS Steel Group in 2002 with a production capacity of 1.7 million tonnes per annum in long products for construction and engineering steel for auto industries (Steel World, 2007) The company currently has three operating facilities in Saraburi, Rayong, and Chonburi province across Thailand.

The acquisition of both NatSteel and Millennium Steel was a significant step for Tata Steel to become a global steel player in high growth countries of South East Asia and China. The acquisition of business activities in which NatSteel has pursued through an extensive network across the region allowed Tata Steel to not only strengthen their integrated upstream and downstream products in a wide range of markets, including construction and automotive industry, but also expanded its access to key Asian steel markets including Southeast Asia and China. With an immediate access to seven different markets in the region that have huge populations and are on a trajectory for rapid growth in long-term, Tata Steel not only improved their market share to strengthen its position further in the region but also to ensure improved operating practices and tight working-capital management. Thus, as their initial acquisitions beyond India, the acquisitions have allowed Tata Steel to seek opportunities to dip their toes into the uncharted water of M&A transactions under regulatory and cultural issues and integrate with much larger organizations than Tata Steel. The acquisition being a strong strategic fit with the firm's expansions, Tata Steel laid their manufacturing footprints in ASEAN countries in the hopes of expanding market position with their partners.

LEARNING, CONVERGENCE, AND INNOVATION IN TATA STEEL

Tata Steel's acquisition with Corus

After making a strong presence in the Asian region, in April 2007, Tata Steel entered into Europe by forming a wholly-owned subsidiary with the world's fifth largest and UK's largest steel producer, Corus with an annual revenue of \$9.2 billion and crude steel production of 18.2 million tonnes per annum (Steel World, 2007). Corus's main

steelmaking operations are primarily located in Port Talbot and Scunthrope, UK and Ijmuiden, the Netherlands with other manufacturing plants are based in Germany, France, Norway, and Belgium. Renaming to Tata Steel Europe, the firm today produces and manufactures diversified steel products and provides innovative solutions to the construction, automotive, packaging, mechanical engineering and other markets worldwide.

Tata Steel's investment for Corus was the biggest overseas acquisition attempt by an Indian company and the second largest investment in the steel sector after Mittal Steel acquired Arcelor in 2006 for \$38.3 billion (Steel World, 2007). Luxembourg-based Arcelor Mittal is currently the world's largest steel producer with a production capacity of 95.45 million tonnes of 2017 (World Steel Association, 2017). This particular acquisition was extraordinary in that Corus was almost four times the size of Tata Steel in terms of revenue at the time when the deal negotiations started. Despite being in debt, Tata Steel had invested \$12.15 billion in cash while in debt to acquire Corus (Steel World, 2007). Tata Steel's motive to buyout Corus while in debt has created a dilemma whether the acquisition was the right move for Tata Steel in the first place. To a large extent, corporate integration is based on the belief of increasing market share, reducing price volatility, access to natural resources, and lowering transactional cost but such reform featured the creation of efficient gains for both entities (Kumara and Satyanarayana, 2013). Hence, as both Tata Steel and Corus would affirm in regards to their intention of M&A, the basic and primary reason for supporting this deal was because of the expected synergies between two firms.

The combination of the two business entities have enabled access to strategic location under strategy, structure, rivalry, market learning under demand conditions, and technology learning under factor conditions as presented by Moon (2007).

The synergistic effects of Tata Steel and Corus have created a corporate bondage based on low cost and high quality growth (Malapur, 2007). Both Tata Steel and Corus strived to place themselves in a strategic location because of the need to be well positioned in key markets. While Corus operates Europe's fully integrated steelmaking plant at Port Talbot in UK and Ijmuiden in the Netherlands, the option to source lower cost steel production from India for the finishing facilities in the UK has offered reciprocal benefits. The powerful combination of Tata Steel's low cost upstream production in India paired with Corus's high end downstream finishing facilities has allowed to efficiently enhance their competitiveness (Prusty, Gohil, Bansal, and Tanna, 2011). Corus's strengths, which lied in having a significant presence in value-added steel

segment and a strong distribution network in Europe, have enabled Tata Steel, as opposed to seeking for greenfield investment as part of their entry mode, to supply semi-finished steel to Corus for finishing at its plants, which were located closer to mature markets of Europe (Deloitte Touche Tohamstu, 2010). As illustrated in Figure 1, motivations for both conventional and unconventional FDI of Tata Steel are shown through the Generalized Double Diamond Model (Moon, Rugman, and Verbeke, 1998).

Through the acquisition of Corus, Tata Steel have not only expanded their scope of business upon entry to European market, but also equipped itself with market learning by operating near to overseas customers. Through understanding of new higher end-markets and a more sophisticated customer base, Tata Steel was able to learn and quickly respond to the sophisticated taste of European consumers for finished steel products and have better access to Corus's manufacturing and finishing facilities in automotive, construction, and packaging markets as well. For instance, following the sale of its long products in Europe, Tata Steel was able to understand and demonstrate how customers operating in the automotive industry could benefit from the firm's increased focus on strip steels and therefore, ensuring optimized strips that can best serve the customer needs with improved manufacturing process and end-product performance (Tata Steel Europe, 2007).

Gaining access to Corus's most advanced and sophisticated technologies and establishing a global brand name was another asset for Tata Steel. The cross-fertilization of R&D capabilities in the automotive, construction, and packaging sectors has helped Tata Steel transfer the best practices and expertise of technology from Europe to India, thereby ensuring the technology learning from Corus for specific markets. For instance, in an attempt to expand their footprint in the fast growing automotive steel industry, Tata Steel sought to acquire Corus's product range and R&D capabilities in enhancing the development of high strength steels in lightweight automotive vehicles (Tata Steel Group, 2007).

Tata Steel and Corus, renaming as Tata Steel Europe, is now the fifth largest steel maker in the world today, supplying high-quality strip steel products to demanding markets such as automotive, construction, packaging, and engineering. It has produced 9.8 million tonnes in year to June 2017 and accumulated sales of €7.4 billion in year to June 2017 (Tata Steel Europe, 2007). Tata Steel Europe's first of many journeys to global recognition wouldn't have been possible without Tata Steel's efforts to ensure strategic location, market learning, and technology learning through its acquisition with Corus.

Hence, Tata Steel successfully complemented in what would've been impossible to achieve in India by exploiting Corus's advanced technology and market position.

Figure 1 lists the advantages and disadvantages of both Corus and Tata Steel prior to the acquisition. As highlighted in Figure 1, Corus had an advantage in technology and expertise in making the grades of steel used for specific markets and customers coupled with access to higher end-markets and sophisticated customer base throughout Europe. However, Corus had to bear with high production cost and lack of access to abundant raw materials and slabs. In contrast, while Tata Steel prides itself on being one of the lowest cost producers of steel in the world, it critically lacked expertise and R&D capabilities to carry out large complex key technology projects in Europe (David, 2006). Therefore, Corus and Tata Steel were able to overcome all of these problems by forming a wholly owned subsidiary by exploiting each other's resources.

By looking at the firm-specific advantages and disadvantages of both Corus and Tata Steel, an important implication can be derived. Moon and Roehl (2001) insisted that an affluence or deficiency of resources will motivate firms to go abroad in order to balance out their advantages and disadvantages when investing abroad. In this case, Corus with ownership advantages was sold to Tata Steel to exploit their resources while Tata Steel with critical disadvantages ventured abroad to buy Corus in order to complement their shortage in resources.

Figure 1. Firm-specific Advantages-Disadvantages on Tata Steel and Corus

	Weak	Corus-Specific Advantage	Strong
Tata Steel-Specific Advantage	Tata Steel 1. Lack of innovation and expertise 2. Lack of research and development 3. Limited presence in European market 4. Low steel quality	Corus 1. World's ninth largest and Europe's second largest steel producer as of 2006 2. High expertise in making the grades of steel used in automobile and aerospace industry 3. Comprehensive product portfolio 4. High distribution and sales network 5. High end-markets and sophisticated customer base 6. High steel quality	
	Corus 1. High production cost 2. Lack of access to raw materials 3. Limited presence in Asian market		
Strong	Tata Steel 1. World's 55 th largest and India's second largest steel producer as of 2005 2. Easy access to abundant raw materials and slabs 3. Low cost manufacturing of steel 4. Strong market presence in Southeast Asia and China 5. Strong backing of Tata brand name	Expected Synergies 1. World's fifth largest steel company 2. Powerful combination of low cost upstream production in India with high end downstream processing facilities of Corus 3. Cross-fertilization of R&D capabilities in automotive, packaging, and construction sectors 4. Enlarged distribution and sales network	

Overcoming weakness through complementary partnerships

Tata Steel's joint venture with BlueScope Steel Limited

In 2005, Tata Steel and BlueScope Steel Limited have agreed to enter a partnership and form a 50: 50 joint venture company in India. BlueScope Steel is an Australian-based international flat steel solutions company with manufacturing and marketing base present in Australia, New Zealand, Asia, and North America. The joint venture company has established a plant in Jamshedpur, India, which manufactures zinc/aluminium metallic coated steel, painted steel and roll-formed steel products and delivers pre-engineered buildings (PEBs) and other building solutions (The Hindu Business Line, 2005).

Tata Steel's joint venture with BlueScope Steel in what became Tata BlueScope Steel, is another example of technology learning through their global business ventures. Being one of the few globally acclaimed firms to create high-quality coated steel products like ZINCALUME® steel and COLORBOND® steel, Tata Steel strived to increase the demand through high-end technology and R&D work that was successfully created and developed by BlueScope Steel for more than 40 years. The products manufactured from

the plant have provided better color durability and material flexibility than the materials sold in the market (BlueScope Steel, 2006). In addition, by establishing the plant in Jamshedpur, India, where Tata Steel's main production units are currently located, there was a spillover effect in sharing necessary knowledge and skill sets more efficiently and effectively across regional subsidiaries and plants in which it has reinforced the production of coated steel products. Thus, Tata Steel complemented its disadvantage of not having the adequate technology to create high-quality coated steel products by exploiting BlueScope Steel's advanced painting and coating technology.

Tata Steel's joint venture with ThyssenKrupp

Despite the growing concerns surrounding the overcapacity and cheap competition from Europe's steel market, Tata Steel Europe has entered an agreement with Germany's ThyssenKrupp to form a 50:50 joint venture in the merger of European steel activities of both companies. The merger is set to make the combined entity the second largest steel producer in Europe with an annual production of 21 million tonnes of premium steel products. It is estimated that the management of both companies would bring cost synergies of approximately 400-600 million per year by 2020 (Tata Steel Group, 2017).

Now that both Tata Steel Europe and ThyssenKrupp have attained its competitive position in the preceding M&A, the primary reason for the merger was simply to create additional values in strengthening their value chain. Through different types of M&A, Tata Steel Europe have successfully adapted to changing environments by developing learning capability. Once that had been achieved, in an effort to continually be up to date on the best practice and create new best practices to sustain their positions within the steel industry, Tata Steel Europe sought to create proper synergies with ThyssenKrupp to strengthen and mutually reinforce the competitive advantage of related businesses.

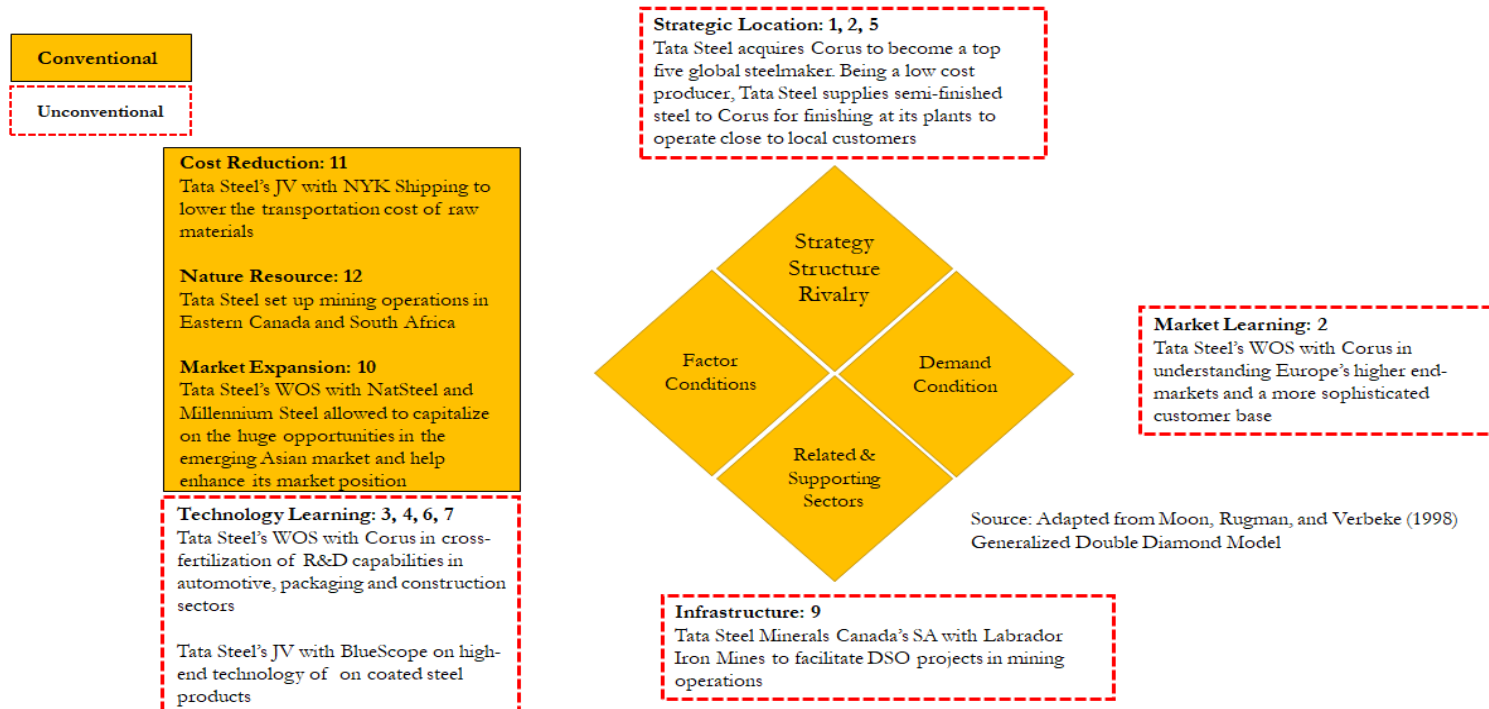
Given that the proposed joint venture is yet to take place, we can't help but to understand the anticipated projections of how their competitive assets can be further enhanced and augmented from the integration based on the current performance of both firms. Faced with structural challenges in an environment characterized by highly volatile prices and a constant restructuring of European steel companies, Tata Steel Europe and ThyssenKrupp have anticipated that combining their steel activities across three main operating facilities would outweigh the cost of having the burdens to sustain growth on their own.

First, businesses of Tata Steel Europe and ThyssenKrupp are a good complementary fit. While ThyssenKrupp is specialized as an Original Equipment Manufacturer (OEM) especially in the automotive sector, Tata Steel Europe has bigger exposure to industrial customers (ThyssenKrupp, 2017). The main operating sites in Duisburg (ThyssenKrupp), Ijmuiden (Tata Steel Europe), and Port Talbot (Tata Steel Europe) have the comprehensive logistics links that have the ability to serve customers and markets in different regions. This ensures significantly broader coverage of many sectors throughout Europe based on profound knowledge of customer needs and the ability to develop customer solutions, which have been accumulated for many years since the establishment. Second, their aim of becoming strong quality and technology leader can be acquired from bundling the effort in R&D to strengthen existing technology while creating new technology in order to meet future demands for innovation in the steel sector (Klinkenberg, 2017). Thus, from acquiring each other's variety of technical know-hows and resources to combining their expertise in the future, Tata Steel Europe and ThyssenKrupp have aspired to develop new products and faster and cost-efficient processes.

Firms deploy their activities in locations and cooperate with firms that can efficiently perform their jobs and with those that can complement the resources they lack (Moon and Roehl, 2001). Despite ThyssenKrupp from a competitive European steel industry and Tata Steel having a strong backing of the brand name, both firms have its own weaknesses, which could be complemented through successful collaboration. Therefore, by bringing forth synergistic effects into the collaboration, Tata Steel Europe not only complements their own disadvantages but also provides complements what ThyssenKrupp critically lack of. In this way, both firms benefit and contribute to their needs with their unique complementary resources that could consequently enhance their competitiveness of the value chain.

Figure 2 highlights Tata Steel's Outward FDI through conventional and unconventional motivations illustrated based on Generalized Double Diamond Model (GDD Model; Moon, Rugman, and Verbeke, 1998).

Figure 2. Tata Steel OFDI through Conventional and Unconventional Motivations



Note: 1: Deloitte Touche Tohamstu (2010); 2: Malapur (2007); 3: Tata Steel Group (2007); 4: Tata Steel Europe (2007) ; 5: David (2006); 6: The Hindu Business Line (2005); 7: BlueScope Steel (2006); 9: The Indian Express (2016); 10: Steel World (2007); 11: EY (2011); 12: The Economic Times (2016)

CONCLUSION

Outward investment is just as important as inward investment in enhancing the competitiveness of both the country and the firm. While the existing studies that supports the notion that firms invest abroad to seek ways to exploit its existing resources by having an ownership advantage, the Imbalance Theory presented by Moon and Roehl (2001) takes a more proactive approach in understanding both developing and developed firms' perspectives, suggesting that the motivation of outward FDI is not only to seek ways in which firms can exploit the existing resources but also to complement what they lack in the current status in order to respond to changing environments.

Thus, the previous literature does not embrace the concept of dynamic perspective from firms in both developing and developed countries to explain why Tata Steel invests abroad, most simply looking at fragmented cases of what advantages Tata Steel had in comparison with other steel firms to go abroad. Therefore, this paper demonstrates that in fact, Tata Steel's competitive advantages were not innate but rather created through continuous learning, collaboration, and outward investments.

Through an in-depth analysis of Tata Steel's motivations for outward FDI dating back from 2004, what started off as a motive for Tata Steel to increase their market expansion in South East Asia and China had led them to diversifying their investments in Europe, gaining experiences and new knowledge sets through market and technology learning about different business environments. Following the success of M&A between Arcelor and Mittal in what had been the biggest investment ever to be made by an emerging country, Tata Steel's interest to emulate other leaders by taking similar paths in acquiring similar resources in which they critically lacked is what strived Tata Steel to enhance their competitiveness. If it hadn't been Tata Steel's motivation to learn market and technology in different business settings after their initial acquisitions of market expansion, it would have not become the top global steel player today.

As demonstrated in the case study analysis of different types of M&A, Tata Steel with little significant ownership advantages strategically pursued unconventional FDI in seeking to complement an imbalance in their competitive and resource position through their investments. On a similar note, despite having the ownership advantages in a competitive European steel industry, Corus and ThyssenKrupp also sought to seek for complementary assets, which were not available at home, that will bring its asset portfolio back into balance. Thus, my study adds to the previous literature by providing new evidence that firms from both developed and less developed countries expand abroad not

only to exploit existing resources, but to complement what they currently lack in (Moon and Roehl, 2001).

Through understanding of past studies on how and why firms take a more proactive approach in exploring new foreign sources which are lacking in current status, this paper provides an in-depth case analysis of Tata Steel's motives through different types of entry mode in distinguishing the role of disadvantages in both home and host countries. However, it is in no doubt that this research also contains its own limitations, thereby suggesting for a future consideration when conducting research.

Given that Tata Steel's proposed joint venture with ThyssenKrupp is yet to show its performance due to the pending deal, it is difficult to accurately measure whether both firms have successfully complemented their weaknesses. Based on their current performance which is measured by their competitive assets, my research only allows to make assumptions how synergistic effects will undergo out in the future. Therefore, my paper hopes to conduct more in-depth analysis on the joint venture between the two firms once the deal has been made.

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