

Strategies for Globally Competitive India

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REVIEW ARTICLE

1. INTRODUCTION

"Where the world has not been broken up into fragments by narrow domestic walls

Where tireless striving stretches its arms towards perfection; Where the clear stream of reason has not lost its way into the Dreary desert sand of dead habit; Where the mind is led forward by thee into ever-widening thought and action Into that heaven of freedom, Father let my country awake"

Prayed Rabindranath Tagore and that is where India is tuning her actions. India is stretching her arms of business with every nook and corner of any other nation and so is she letting Indians have the taste of products produced outside the nation. The growth of the business marked the Establishment of Single man business to Partnership, Private Companies, Public Companies and so on. Then India took to Business Process outsourcing, knowledge outsourcing and globally distributed work. Gone are the days hen lecturers start introducing the term 'Business' with barter system. Now we are in a stage where we don't need money to finish a transaction since we use debit or credit cards.

India is not afraid of repetition of History – The East India Company invading the Nation and capturing its resources. Valid trade agreements are in force to safeguard the Nation from all sorts of dangers. So is every nation in the Globe cautioned against the Political invasions due to admitting the entry for trade.

2. MEANING

Globalization refers to increasing global connectivity, integration and interdependence in the economic, social, technological, cultural, political, and ecological spheres. The Encyclopedia Britannica says that globalization is the "process by which the experience of everyday life ... is becoming standardized around the world." While some scholars and observers of globalization stress convergence of patterns of production and consumption and a resulting homogenization of culture, others stress that globalization has the potential to take many diverse forms.

3. ENTRY OF GLOBALIZATION

'Be Indian Buy Indian' is not glittered statement these days. Indian economy is going openness and stronger links with the world economy have imposed on domestic producers everywhere the valuable discipline of international competition and attracted much needed capital and expertise, thus enhancing the prospects for growth through increased efficiency.

Alongside the quickening pace of global economic integration, there has been a marked acceleration in the pace of technological and scientific progress. Advances in information technology, in particular, have created new opportunities for businesses against the background of an increasingly complex global economy.

4. WHY GO GLOBAL?

Globalization has become the catch phrase throughout the world. Globalization means integrating the economy with the global economy. The reasons of going global are definitely hike in profits and earning name and fame. The attractiveness of going global are cited as follows:

- Reductions in the cost of communication are facilitating the shift of backroom operations to the developing world. The multinational corporation, already operating with a global outlook as regards the location of its markets and the sources of supply, is also operating globally in terms of sources of finance and physical location.
- With reduced transport costs, location is becoming less important and political and economic stability, a well-trained labor force, and strong institutional underpinnings are emerging as the key drivers of prosperity.
- These developments are also leading an increasing number of governments around the globe to be more assertive in pursuing competitiveness-enhancing policies.
- At the World Economic Forum, we understand national competitiveness as the set of factors, policies and institutions that determine the level of productivity of a country. Raising productivity—meaning making better use of available factors and resources—is the driving force behind the rates of return on investment which, in turn, determine the aggregate growth rates of an

economy.

Thus, a more competitive economy will be one which will likely grow faster in a medium to long-term perspective. Our productivity-oriented view of competitiveness also allows us to counter the widespread notion that the aim of competitiveness is improved export performance as measured, for instance, in growing market shares. But while trade no doubt contributes to improving productivity and is thus one of the main drivers of competitiveness, as a mechanism for specialization and gains in efficiency on an international scale, it is, in fact, only a small part of the picture.

The World is changing fast and the world of business is changing faster. In the new millennium, business corporations will have to deal with entirely new challenges to meet customer demands, move from competition to collaborative reconfiguration, dovetail supplier and subcontractor processes to the corporate goals and empower employees to be able to meet and surpass customer expectations.

In the relentless competitive search for new business, the customer today is seen by breathless marketers as a fickle and mercenary shopper, who respects no brand, has no loyalty and demands higher value for money with every transaction. They also expect new products and services to be available every day.

New paradigms are also emerging in the organization's relationships with its suppliers

and subcontractors. They are now seen as key partners in the new virtual corporation, providing the ability for the entire supply chain to be fine tuned towards changing market needs.

5. ATTAINING COMPETITIVENESS

Globalization is one important step towards this development of business. In this paper we are trying to bring forth strategies which would suit India to become globally competitive. There is a growing trend of Indian companies acquiring foreign firms and then competing with global majors.

Indian industry has proved its mettle globally in two main sectors — IT and pharmaceuticals. Many companies in these two sectors have won contracts or acquired companies against global competition, proving that their underlying business models are robust. They have also been able to identify the right business opportunities and grow them further. The main reasons for these two sectors achieving this status are:

- Intellectual property is respected in these sectors.

These sectors do not have to depend on poor infrastructure that is not globally competitive. These two sectors are knowledge driven and innovation based. Financial services is another sector that has much potential, with the right policy incentives. Going by the

underlying factors for growth and global competitiveness of IT and pharma companies, financial services should indeed prove the point by becoming globally competitive.

6. IMPORTANCE OF GLOBALIZATION IN INDIAN ECONOMY

In today's tidal wave of global economic, technological, and social change, the name of the game for you and your organization is survival. We must understand how powerful forces are aggregating once-distinct product and geographic markets, enhancing market-clearing efficiency, and increasing specialization in the supply chain. We should respond by adopting a new approach to strategy — one that combines speed, openness, flexibility, and forward-focused thinking.

We are not going to survive in this new economy through technology innovation alone. "Growing numbers at all levels believe that, to have a better chance of success, organizations need to engage the energy, creativity and intelligence of the whole workforce and involve other stakeholders, like customers, suppliers, investors and community." If we are going to withstand relentless and constantly growing global competition, we need to be different and radically change the way of doing business. We have to give up the old hierarchical, adversarial approach which wastes individual talents and saps energy in unproductive conflict. Instead we need to create a new management model, switch from management to leadership, manage change, build trust, drive out fear of failure and create productive partnerships in which everyone can offer their unique knowledge and talents.

6.1 GLOBALIZATION IN MANUFACTURING INDUSTRY

India is described as The Emerging Manufacturing Hub. With the Indian economy on the upswing, the manufacturing industry is experiencing vigorous growth. Manufacturing companies, both domestic and global, are expanding their Indian production capacities and establishing new plants. Indian companies are also becoming global, with manufactured goods' exports growing in excess of 20 percent annually in recent years. The growth of manufacturing has resulted in India emerging as one of the fastest growing markets for automation systems, enterprise solutions, and integration service providers.

With so much happening in manufacturing in India, it is appropriate for manufacturing companies to progress well beyond exploiting Indian comparative advantages, such as low labor costs and abundant human capital. Instead they need to evaluate available technological options to overcome new challenges and become top performers. At the strategic level, their main challenge is to become

globally competitive by adopting Collaborative Manufacturing Strategies.

6.2 GLOBALIZATION IN TEXTILE INDUSTRY

Talking about globalization in different areas first we would like to take the case of textile industry. Chandra Pankaj in his IIMA working paper 'Competing through Capabilities Strategies for Global Competitiveness of the Indian Textile Industry' opined that the global textile trading regime is going to change drastically from the year 2005 with the phase-out of the MFA. Its implication on competition will be significant. Countries that have already put competition policies in place and firms that have been improving their capabilities are the ones that are going to face domestically and abroad in a few years from now. We point towards some of the characteristics of competitive firms that will emerge in the ensuing period. The paper presents a summary of comparisons of Indian primary textile firms with those of China and Canada (based on a primary plant level survey in the three countries). In addition, we discuss some processes that are helping the Chinese textile industry grow rapidly. We argue that competitiveness of Indian firms would be contingent on developing long term distinctive capabilities. We also present three key strategies, namely Commitment, Coordination & Cooperation, for developing distinctive capabilities and provide illustrations of initiatives at the firm level, industry level & and the government level that would form part of the implementation package for each strategy.

6.3 GLOBALIZATION IN AGRI-BUSINESS INDUSTRY

Most of the Indian states being agri based felt the impact of globalization with the consolidation that took place in 1990s. These consolidations were of chemical seed, bio technology companies, into life science enterprises that work in areas not only related to food production but also to medicine and health. Mergers, acquisitions and strategic alliances have substantially risen in the recent years. The challenges the industry faced was cultural barrier and the illiteracy in rural India where agriculture is predominant. Infrastructure and capacity to invest in agro inputs were also pulling to the back side. Inefficient supply chain also was one of the drawbacks. These drawbacks need to be minimized profitably.

7. GLOBALIZATION TRENDS - FOCUS INDIA.

This as a matter of fact when applies to India, the nation seriously looks into the transition from a protected economy to an open economy removal of non tariff restrictions on trade such as exchange control, import licensing, quotas etc., allowing Foreign Direct Investment (FDI) and foreign portfolio investment (FPI) that gives

leverage to Companies to raise capital abroad and encourage domestic companies to grow beyond national boundaries.

Globalization affects the world and the nation economically, politically, culturally and in varied spheres. India and Indian firms have specialized in outsourcing which proves to them very profitable. It is true liberalization paved the way for Globalization and the real origin is not traced out in India. We need to frame out competitive strategies for making India globally competitive.

8. INDIA AND GLOBAL CHALLENGES

Globalization of the world economy offers both challenges as well as opportunities to the Indian Companies. India has wasted a lot of time preparing for global competitiveness. A higher level of world prices, continuing devaluation of our currency, and increase in our imports adds new complexities to our international marketing efforts.

The opportunities that are opening for global marketing are further dampened by rising protectionism, discriminatory government procurement policy, offset requirements, forced technology transfers, local content requirements, and other mechanism used, and growing trend towards bilateralism instead of multilateral agreements. The suggested areas of change in Indian Companies to gain dynamism and competitiveness are:

- Developing executive leadership at three levels that is top team, the personal development of individual executives as leaders and the Chief Executive Officer (CEO)
- Getting strategy to work
- Achieve learning through knowledge management
- Achieve supply chain excellence
- Develop branding strategy

9. PRODUCTIVITY FOR GLOBAL COMPETITIVENESS

The rapid changes in the context of the process of economic reform, globalization and liberalization have created greater compulsions for India to be productive and competitive than ever before. With rapid advancement in technology as well as Management Theory and Practice, the concept & techniques of productivity have undergone a change over time, thereby creating a need for devising fresh approaches, coining new message and adopting a new idiom to spread the message to the stakeholders.

There is an urgent need to redefine and re-structure the Productivity Movement in such a way that it becomes a self perpetuating process, more so, because the general environment earlier was not very congenial for the desired productivity growth as lots of non-productive barriers & protective walls surrounded our economic system for a

very long time. All these protective walls have come crashing down and now competition is the name of the game. This would require bending all our energies in order to be more competitive in order to survive through all-round productivity enhancements.

With changing times, the productivity improvement process has evolved the world over. Likewise, for a developing country like India, Keeping in view the stage at which it stands on the road to economic progress, promotion of productivity, its awareness creation and benefitable implementation should be the corner stone of productivity movement. Productivity in its new manifestation, as a culture of accepting and bringing about continuous change through teamwork having continued focus on the customer-need is an inescapable imperative. These concepts have come to acquire greater significance in the current context of changed economic environment. The older generations in India, who have gone through the socio economic turmoil of the Independence Movement and the subsequent national developmental processes in the so-called mixed economic environment characterized by the "Controlled Regime", have imbibed a culture evolved from the traditional agricultural economic base and controlled industrial development.

However, the increasing market-orientation and private sector development have thrown up a number of new challenges. In fact, it is influencing the mindset of all the constituents of the society.

Productivity is the key to competitiveness, which in turn is an indicator of a country's potential for economic growth in the short to medium term. The findings of the Global Competitiveness Report of the World Economic Forum reveal that India's competitiveness is relatively quite low, which is not surprising, given the continuing low productivity levels of different economic sectors in India. It also indicates that although productivity levels have been growing in India for at least a decade and a half, the level of growth is lower than that required to keep pace with rest of the world. Hon. PM of India, Dr. Manmohan Singh, in a recent address to the industrialists, stressed the need to boost productivity and global competitiveness of the Indian industry. He lamented that 'India still had a long way to go in catching up with the newly industrialized economies of Asia. We have to move fast, move quickly and move efficiently to catch up with our neighbors in East Asia'.

In this period of constant change, intense competition, falling prices and wafer-thin margins, it is essential to attract and invest in creative minds. An organization has to develop the ability to harness the creative energies of their own available workforce. The need of the times is to focus on creating and encouraging human capital. It is this pool of creative minds that will help in throwing up innovative ideas. Education and training are emerging as key drivers of competitiveness. As the global economy has become

more complex, it has become evident that to compete and maintain a presence in global markets it is essential to boost the human capital endowments of the labour force, whose members must have access to new knowledge, be constantly trained in new processes and in the operation of the latest technologies.

10. NATIONAL PRIORITY

Most macroeconomic research studies conclude that Information and Communications Technology (ICT) is a significant contributor to productivity growth and most relevant in knowledge and information – intensive service enterprises for attaining global competence. The value of Knowledge Management relates directly to the effectiveness with which the managed knowledge enables the members of the organization to deal with today's situations and effectively envision and create their future. However, heavy investments in ICT and automation alone may not increase productivity unless a total, integrated approach is taken. This requires complementary investments in organizational restructuring, workplace and work process redesign, and a mindset change among employees, who need to be computer literate.

Increasing productivity has to emerge as a new national priority, where the efforts of all converge to accelerate the process of economic growth and raise the standards of living of our people. Our business organizations will have to improve their performance to ensure their survival and growth in a fiercely competitive world. This improvement will come about only if we focus on production of quality goods, in a cost effective manner and by generating enough surpluses to plough back into the business to further improve productivity. And this must occur continuously, to create an advantage in the market place, which is what productivity is all about. Productivity, thus, will have to become a mass movement and to be put on the national agenda. In his book 'Competitive Advantage of Nations', Michael Porter observed. "The only meaningful concept of competitiveness at the national level is Productivity. Productivity is the prime determinant of a nation's long-run standard of living; it is the root cause of national per capita income. The productivity of human resources determines employee wages. The productivity of capital determines the return it earns for its holders".

Consequent on the on-going process of economic reforms & liberalization as well as

coming in to force of the WTO regime, which is compelling India to dismantle the lingering protective environment which have so far sheltered Indian economy in general and industry in particular, the twin concept of productivity and competitiveness have become more relevant than ever before. One can even go to the extent of saying that these are perhaps intractably linked to the country's economic future and survival as a viable entity in this era

of globalized economy.

The India Brand Equity Foundation

The India Brand Equity Foundation (earlier India Brand Equity Fund) was founded under the aegis of the Ministry of Commerce of the Government of India with the explicit purpose of developing a strong global identity for India, by leveraging these emergent opportunities. The IBEF aims to do this through a proactive effort to create a strong Nation Brand for the country based on positive and relevant associations. The entire effort is directed towards taking India beyond name recognition (and distorted associations), by firmly establishing a relevant position for the country on the world map. The immediate goal: build positive economic perceptions of India in key global markets.

The IBEF moved to the CII to manage, in October 2002. It was decided that a broadbased branding exercise would best be facilitated through a strong partnership between the government and industry. It is in this context that the CII provides for the executive management and the operational day-to-day functioning of the Foundation, under the Chairmanship of the Commerce Secretary.

BRAND INDIA'S NEED PERSPECTIVES

- Need to move up the value chain- better R&D
- Need to project greater ROI on investment – better profitability
- Need to remove revenue dependence on any single resource such as human capital
- Need to carve a niche – IPR and Licensing
- Need for technological prowess and market knowledge – focused domain expertise
- Need to brand products and services – better marketing

Every organization has its own distinctive approach towards development. Connecting these initiatives, there should be a commitment to enlarge the scope of innovation and to create environment conducive to Productivity. Productivity may be the outcome of techno-managerial practices, but eventually is the result of a mindset. Basic to this approach is the conviction that there is no limit to improvement. Even the best can be improved. The crucial ingredient is the preparedness of the human mind to change. Therefore, workers, managers, policy makers and others should be ready to continuously and collectively work for productivity improvement, not only in every economic activity, but also in every human endeavour for the development of the society as well as the country. Needless to mention, as we graduate further into knowledge era, traditional methods and principles will become increasingly ineffective and we will have to innovatively augment productivity both at micro as well as macro level to realize a global competitive

edge.

11. CONCEPT OF FREE INTERNATIONAL TRADE

India being the founding member of GATT and WTO, the large-scale protection to the Industries from the world market cannot continue for long. The WTO is taking many steps to remove trade barriers among countries and to promote free international trade. In these circumstances, the country has to find out the strengths and weaknesses of its industries in facing the new challenges from other countries in the interest of their sustainability. The industries have to remain at least import competitive to fulfill the domestic demand and preferably also to become export competitive in the longer run to tap the opportunities of freer trade in the future. It can no longer remain self-centered and cannot avoid the issue of achieving higher efficiency at the international level. Besides the global pressure under GATT and WTO, India has also her own internal compulsions to seek competitiveness of her industries. This is because the country is finding it difficult to sustain the huge administrative and other costs associated with subsidies and other regulatory-administrative set-up.

12. TRANSFORMATION

The global economy has been transformed in recent years by the fall of international barriers to the flow of goods, services, capital and labor, and a marked acceleration in the pace of technological and scientific progress. Technological advances have created new opportunities for businesses against the background of an increasingly complex global economy, while reductions in the cost of transport and communication are making location less important, spurring companies to move operations to lower cost environments. This, in turn, has made governments far more sensitive to the need to create a friendly business climate, supportive of private sector activity. It is clear that the factors determining the underlying competitiveness of nations are as diverse as they are numerous. For example, there is a broad body of theoretical work and empirical evidence highlighting the importance of a sound macroeconomic environment for growth. Mismanagement of the public finances and high inflation, one of its frequent by-products, greatly complicates the business environment, undermining incentives for investment based on long-term planning. But the presence of macroeconomic stability is not enough to increase productivity. Also important is the institutional environment within which economic actors operate, including the protection of property rights, the quality of the judicial system, evenhandedness in the political process, and the reining in of corruption. As well as institutional factors, many others are also known to play

a role in enhancing productivity. Education and training have emerged as key drivers of competitiveness, ensuring that the labor force has access to new knowledge and is trained in new processes and the latest technologies.

13. GLOBALIZATION AND INTELLECTUAL PROPERTY

The phrase “intellectual property” apparently entered our lexicon in the 1950s, but many policymakers, business people, and citizens are only in recent years learning about the policy institutions and market economics of intellectual property. The institutions of patent, trade secret, and copyright (as well as trademark) have been established by Governments for some 500 years as special market interventions to encourage Technological innovation and informational and cultural expression for the purpose of spurring activity that markets, left to themselves, tend to under-produce. Intellectual property institutions have been important sources of economic growth and cultural vitality whether the world economy has been based upon the hand-work of craft or upon the machine-work of manufacture. Now that the world economy is based upon the knowledge-work that informs craft, manufacture, and service, the policies of intellectual property are all the more central to economic policy regarding technological innovation, economic growth, and cultural vitality. A knowledge-based world economy depends upon the incentives provided by effective enforcement of intellectual property rights: copyright protection encourages producers of films, music, books, information databases, and computer software to risk expensive creation because they can expect that, though failure in the marketplace is common, success will not be misappropriated through piracy.

Patent protection encourages producers of pharmaceuticals, fine chemicals, and the products of information technology to invest in technological innovation because they will be offered a limited period of market exclusivity as reward for their risk-taking. For these reasons, intellectual property has risen near the top of policy agendas around the world in recent years. Policy-makers in developing countries will, over the coming few years, implement the Agreement on Trade-Related Aspects of Intellectual Property Rights, the “TRIPS Agreement,” thereby providing in law, if not in fact, protection for intellectual property rights akin to that established in North America, Europe, and Japan as they were themselves developing into industrialized countries. Policy-makers, business people, and citizens in developing countries agree that the TRIPS Agreement is a condition of World Trade Organization membership but are not certain that enforcing these standards of intellectual property protection will further the cause of their economic, political, and cultural development.

Observers frequently lament: “We don’t know whether the enactment and enforcement of world-standard intellectual property policies will promote development in poor countries.”

Perhaps we do not know, for life must be lived forward, but much evidence from experience and scholarship exists to inform policy-makers regarding the complementary roles of markets and institutions and of the special role of the intellectual property institutions in the promotion of economic growth. Even in our age of the Internet, knowledge is not “out there” someplace. Knowledge is embedded in institutions: know-how institutions are conventionally and rightly thought to be universities, but know-how institutions also are business enterprises.

Business enterprises are deeply imbued with knowledge, which possess the organizational capabilities to turn information and know-how into commercially viable products and services.

Multinational business enterprises dominate innovation and technology stock in the world economy and, thus, technological innovation and adaptation depend upon cooperation with these enterprises. Business enterprises in developing countries accumulate know-how and build their own organizational capabilities through business strategies that combine cooperation with competition with multinational firms.

14. CONCLUSION

Competitiveness finds its ultimate expression in the prosperity that countries can sustain over time. Prosperity is sustainable, if it is based on the productivity companies can reach given the conditions they face in an economy. While most discussion of competitiveness remains focused on the macroeconomic, political, legal, and social circumstances that underpin a successful economy, progress in these areas is necessary but not sufficient. Indices are formed for measuring these.

Globalization has fundamentally changed the game of business. Strategic frameworks developed for the analysis of purely domestic business necessarily fall short in the international business context. Managers and business students require new approaches to understand and cope with these far-reaching changes. We must learn to think globally in order to succeed. Global Competitive Strategy shows how we can do this by providing a unique set of strategic tools for international business. Such tools include the ‘star analysis’ that allows strategy makers to integrate geographic information with market information about the global business environment.

Also introduced is the ‘global value connection’ that shows managers how to account for the gains from trade and the costs of trade. Branding India is not a choice but an obvious necessity. If we won’t do it, other nations are doing so any way. And position India the way it fits their

competitive global strategy. The present scenario looks very encouraging. But instead of resting on the achievement of the limited number of people and companies, steps need to be taken to grab and consolidate on the opportunities that might present themselves in the near future. Launching a new brand into the market is a challenging task but what is more challenging is repositioning a brand and changing the already established perceptions in the minds of consumers.

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