

# Developing Global Competency- Challenges And Opportunities

*\* D. Subramaniam*

*\*\* Dr. K. Shyama Sundar*

## INTRODUCTION

In the current context of market scenario, any firm, whether they are engaged in international marketing or not, needs to be globally competent. This is because the global brands come into the domestic market and pose problems. They penetrate the domestic market and offer variety and choice to the consumer. If the product succeeds in gaining the acceptance of the local consumer, then the domestic producer cannot remain a mute spectator. This calls for the global competency and the absence of which will eliminate the firm from the business scenario itself. This healthy global competition settles down one way or the other, based on the survival of the fittest theory. Essentially, the final outcome is based on the natural justice and eventually benefits the ultimate user and encourages efficiency and creativity which enables optimal usage of scarce resources of raw materials for an extended period of time.

## BUSINESS AND GLOBALIZATION

The current day businesses have to orient their strategies based on what is happening in the market and hence, in a way, these firms are market oriented. This is basically because of the structural changes that have happened in the world economy as such, which dates back to effects and impacts due to Breton woods agreement, emergence of GATT and WTO etc.

Now, most of the global nations have accepted globalization and it is difficult for a nation to remain in isolation and survive. Exchanges between countries are increasing faster than production. With entry of global brands entering domestic market, the local manufacturers loose their market share and they are forced to look elsewhere for extending their market share and they also go global. Simultaneously, the type of global competition has also undergone change and specialists have started emerging based on experience curve learnings or economy of scale or based on superior technologies. India and China have been able to exploit this opportunities to their advantage due to their inherent low labor cost. Sometimes, they are fine tuned based on technology transfer to the local firms and have overthrown even the best global practices which are benchmarked by others.

It is a known fact that water plans its course wherever there is a slope and flows. Similarly, the investment money also plans its path wherever the interest rates are attractive and stable. The FDI and FII investments are accordingly taking their routes. This investment flow also makes a great impact on the economy wherever it makes its way.

There are certain factors which influence "Global competence" both at the national level as well as at the "organization" level like :

- ✿ Competition
- ✿ Innovation
- ✿ Investment
- ✿ Skills
- ✿ Enterprise

Now, having listed the major factors influencing Global Competence, an attempt is made to see as to how each of these factors poses the challenges and provides opportunities as well. The current trends in each of these is also looked at to get an overview of the global situation.

## COMPETITION

At a global level, the completion between the nations happens due to the competitiveness of the nation as such. There

---

*\* Assistant Professor, Xavier Institute of Management and Entrepreneurship (XIME), Bangalore.*

*E-mail: dsmaniam.xime@gmail.com*

*\*\* Director, Mohammed Sathak College of Arts & Science, Chennai. E-mail: drshyamasundar\_k@yahoo.co.in*

are several factors like productivity; low labour cost, technological core competence etc., that play a vital role in getting such a stature. The same applies to “Organizations” as well. Currently, China, India, Japan, Korea and other eastern countries are categorized as “Rapidly developing economies (RDEs)” exactly for these reasons. The emerging market companies from countries like China, India, Taiwan Brazil, Mexico, South Korea are among the Fortune 500 companies and now account for nearly 70 companies in the list of Fortune companies.

**Table 1**

Category of Nations	1995	2005	2006	2007
Emerging market companies	20	47	61	70
Developed market companies	480	453	439	430
<b>Total</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>

<b>70 Companies From Emerging Market Among The Fortune 500 Companies</b>	
China	= 24
South Korea	= 14
India	= 06
Taiwan	= 06
Others	= 06
Brazil	= 05
Mexico	= 05
Russia	= 04
-----	
<b>Total</b>	<b>70</b>

<b>BY INDUSTRY WISE DISTRIBUTION</b>	
Transportation	= 01
Conglomerate	= 01
Chemicals	= 03
Insurance	= 03
Industrial equipment	= 05
Metals & mining	= 06
Energy	= 20
Automotive	= 05
Utilities	= 04
Banking	= 09
Electronics & hi-tech	= 06
Communication	= 06
-----	
<b>Total</b>	<b>70</b>

The above trends show the paradigm shift in the composition of countries and also the kind of sectors that are currently getting the focus.

**COMPETITIVENESS AND PRODUCTIVITY LINK**

Porter has found a useful method to explain the “Global competitiveness” by establishing a link between “Productivity” and “competitiveness”. He explains that “Global productivity” as the ratio between value of output and value of inputs (factors, total cost) and distinguishes the “productivity” that normally refers to a specific factor of production say “labour” or “capital” etc.

His derivation of formula is as below:

$\text{Global Productivity Of Factors} = \frac{\text{Production Values (Quantities X Price)}}{\text{External Input (purchase) + Labour Employed + Capital Employed}}$
---

Source : (Competitive strategy- techniques for analyzing industries and competitors- by Michael E.Porter, The free press.)

An analysis by applying the above formula amply explains encompassing all the issues concerning Global competitiveness.

The advantage to consider as above is :

✿ It enables us to relate output (production value) to the combination of factors that made it possible. Secondly, it

enables objective comparisons to be made between two competing firms or two national industries manufacturing the same goods or two nations on a global basis.

✿ It (numerator), explains the value of output to the (market share) and the price (ability to get such a price level from customers). These two are due to customer's evaluation of what the firm is offering vis-à-vis the competitor's offers. This creates a kind of market value of the firms' offering. An increase in this value, all else being equal, means improved productivity. Then the essence of marketing task is to work on this aspect and manage delivery of this value.

✿ On the denominator side, a dynamic combination of the factors of production allows managers to improve productivity like;

✿ Increase in capital employed (e.g.: investment of capital on superior machine that can replace costly labour or can provide efficient qualitative output).

✿ Or an innovation in manufacturing process that may reduce the input materials, thereby improving productivity (e.g. the entire firm is re-engineered by a BPR study on its processes).

✿ The above can also be obtained by incorporating innovations or productivity increases from suppliers (either positively or negatively like that happened to Toyota). This is more relevant in the context of value chain / supply chain management.

✿ The two important factors that contribute for continuous improvement are innovation and “purchases or outside inputs”.

✿ Porter stresses innovation as the driving force for growth of firms, especially within developed countries. He is of the opinion that Innovation is the forte of developed countries while the developing countries have the advantage of low cost labor. He feels that if developed nations can improve labour efficiency or material efficiency or efficient suppliers or efficient production process or combinations of all these, they can sustain the competitive edge for long. This advantage allows them simultaneously to gain market share while also maintaining prices and improving production costs. The same is applicable for any nation, whether developed or developing.

✿ Competitiveness and productivity are interrelated, in the sense that the former depends upon the latter.

✿ It is relevant that firms must improve the productivity of a firm both through its internal operations and through its ability to make use of changes in the external environment. The idea is similar to Porters' value chain concept, wherein detailed analysis of the performance of the activities of a firm in relation to its suppliers and its customers is suggested.

✿ Authors like Hakansson and Snehota have also stressed the importance of the networks in which a firm is acting. Another approach considers the notion of cluster. This concept stresses the fact that often, one nation or even one area inside a nation generated group of competitive firms in the same industry like printing presses in Germany or ceramic tiles in Italy or our own hosier sector in Tiruppur and match industries of Sivakasi etc.

✿ As porter argues, firms have to choose between two generic strategies; whether to focus on production value (differentiation) or cost reduction (cost leadership) strategies.

✿ A firm can globalize its cost structure through the migration of sourcing, manufacturing, R&D, and service operations from a high cost country to a (Rapidly Developing Economies) RDE .Firms that quickly and intelligently seize global opportunities can secure three forms of competitive advantage:

1) Cost advantage

2) A market access advantage

3) A capabilities advantage

✿ There are fragmented industries due to various reasons like low overall entry barriers ,diseconomies of scale, highly diverse product line requiring customization to individual users requires a great deal of user manufacture interface on small volumes of product can favor small firms rather than big ones, diverse market needs etc.

✿ Overcoming fragmentation - consolidation if possible- creating economy of scale- standardize diverse market needs-

## **INNOVATION**

Another aspect for the nation or for the firm is to innovate and gain first mover advantage before the new entrants enter into the scene or the differentiation or the uniqueness of the product disappears or becomes the norm in the industry. Innovation can be in any form whether in designing the product or devising a market strategy. It is a well know fact now what brought success to Cavin Kare when they introduced small sizes of economy “Shampoo packs” for the rural

masses as they encased the opportunity they saw in the rural segment.

Countries like South Korea have foreseen the need for R&D spending and have launched 21 R&D initiatives in 1999 itself with a plan for funding for a period of 10 years. Now they devote 3% of their GDP towards R&D which is higher than what US and the European Union invests in R&D. Brazil is focusing on bio fuels, Russia on software engineering and Poland in high tech automotive industries.

## **INVESTMENT**

All nations in the competitive Globe are trying to improve their National Income which serves as an indicator of growth. Higher the GDP, higher is the per capita income and consequently, the better is the standard of living. At the national level, especially after the global melt down, all economies have felt the need for stimulus packages or increased spending which we have witnessed as the order of the day. At the firm level, the investment enables the firm to get a cost leadership position by way of their expansion of capacities. For the firms opting for differentiation strategy enables them to increase their market share.

The world is now becoming multi polar in nature and companies from various parts of the world source their capital also now from diverse sources. In 2006, emerging economies provided 16% of world's total FDI, which is a huge increase since 2003.

More over, investment has to be in the focus and needed sectors. Currently, the trend seen is that as countries become more and more prosperous, their need for energy also increases. India felt this need and hence, went in for nuclear deal. In 2001-2006, China accounted for 46% on global primary energy demand compared with developed nations as a whole, which accounted for just 10% of the increase in energy demand for the same period of 2001-2006.

## **SKILLS**

When economy expands, the need for different skill sets also emerges, which is a big challenge. Sensing this, India has recently announced the formation of Skill development council. It is propagated that any person exposed to 10,000 hours of any activity of his/her passion will eventually become an expert. Keeping this in mind, many proposals have also emerged on the need for re-orienting the system of education, teaching and the need for vocational training etc.

Today, India among other nations, is a great skill provider in the BPO sector. This position is now getting challenged from other nations like Korea, China and Japan. Now, India is contemplating to specialize in Higher end market of providing knowledge as a consequent to its threat.

## **ENTERPRISE**

Finally, it is the enterprise which brings about all the above and obtains a competitive edge and is able to compete globally and taste success. Enterprises like TATA/Bharti Airtel have taken up their core competencies to reach at Global level.

## **CONCLUSION**

Global Competency is dynamic in nature and there is a constant change of players seen over a period of time. It has thrown open challenges in the form of opportunities and threats for global players to grab the opportunities to their advantage and simultaneously minimizing on the threat perception by working on their strength and identifying their weaknesses as well. A combined contribution from all the above spheres will enable Global competence development, which will continuously benchmark themselves against the respective leaders and continually improve for the benefit of the entire mankind as such.

## **BIBLIOGRAPHY**

- 1) Daniel Michel, Peter Naude, Robert Salle and Jean-Paul Valla "Business to Business marketing- strategies and implementation", Palgrave Macmillan.
- 2) Michael E. Porter, "Competitive Strategy techniques for analyzing industries and competitors" The free press.
- 3) Michael D.Hutt, Thomas W.Speh, "Business Marketing Management B2B", Cengage learning India pvt ltd.
- 4) Paul.F.Nunes and Mark Purdy. "Brave new world" -,AIMA journal "Indian Management" of Feb,2010, Volume 49, Issue 2 (pages 81-91).
- 5) Charles W.L.Hill & Gareth R.Jones, "Strategic Management Theory, an integrated approach" Houghton Mifflin Company, Princeton New Jersey, All India Publisher and Distributor's, Chennai, 1998.
- 6) Azhar Kazmi, "Business Policy & Strategic Management" Tata McGraw Hill Publishing Company Ltd, New Delhi, second edition, 1998.
- 7) Francis Cherunilam, "International Business", wheeler Publication.