# Book

# International Competitiveness

## Chapter 1

## Introduction to Competitiveness[#]

> *Ability is what you are capable of doing. Motivation determines what you desire or aim at. Attitude determines how well you do it. – Lou Holtz*

### India in the Resurging Asia

Resurgence of Asia is becoming visible across the world. India's contribution to the world GDP is expected to rise from 6 to 13 percent by 2025, and India and China will account for about 39 percent share of the global output—about equal to the present share of the United States and Europe combined (Sheth,2008). The resurgence has major implications from individuals, firms, institutions, other organizations and even states and countries.

Resurgence of Asia that was accelerated in later part of 20th century has been a key driver of shift in economic axis from the West to the East. For the resurgence, several Asian countries worked extremely hard to climb to respectful places in economic terms. Lead by Japan, and fast followed by Asian Tigers (e.g. South Korea, Taiwan, Singapore and Hong Konf), several countries in Asia aspired, planned and implemented strategies to drive development, competitiveness and internationalization to next levels.

Emerging countries such as—Brazil, Russia, India, China and South Africa (BRICS)[1]—were expected to lay foundations of growth, when geopolitical giants such as France, Germany, Japan, the UK, the USA mature for a while. Of the five, three giant ones in Asia,

---

[#] This is an updated version of Chapter 1 of the book by Momaya K. "International Competitiveness: Evaluation and Enhancement". 
**Citation**: Momaya, K. (2001). *International competitiveness: Evaluation and enhancement*. Hindustan Publishing Corporation, New Delhi.

expectations become high from Asia, whenever the economic tsunami's such as one of 2008 hit the world.

Asia had the highest share of world GDP for most of the two millenniums. India and China were two big contributors to the world economy till about 19th century (Table ). Both had historical advantages of vast natural resources and have now become huge domestic markets, thanks to huge population. However their future squarely depends on created advantages such as entrepreneurship and intraprenureship, technology management and innovation.

The resurgence has major implications for strategies and performance of firms and other organizations. But only few professionals can claim that strategies of their organizations to be a leader in the region are working effectively beyond their home country. In fact, most firms in India have uphill challenges to retain market share on home turf, playing in sophisticated Asian countries has been 'work in progress' for quite long time for even capable firms.

Having the largest youth power of the world, India cannot remain aloof to such resurgence. What are some of the signs of India's rising contributions to the world at large and the resurgent Asia highlighted above? Here is a glimpse of the context. Let us first make sense of the context of competitiveness for India bit longitudinally over decades.

## 1.1 Context of Competitiveness: India and Opportunities

With increasing achievements, India is at one of the most fortunate time to contribute to the world. India has some significant achievements in the short six decade journey post-independence from British Raj across industries from agriculture, automobiles, biopharmaceuticals, dairy, defence**,** information and communication technologies (ICT) to space and transportation. Having the largest youth power with high aspirations, India can try to climb at least half the remarkably high levels of contribution to world industrial production and trade it had at peak.

Winds of liberalisation, internationalisation and privatisationbecame more intense in the last decade of the millenium. Many countries have initiated drastic reforms to align their economies with the global economy. Formation of the World Trade Organization (WTO in 1994) has further strengthened the process of internationalization (often referred to as globalisation popularly). The national borders are becoming more pervious to flows of goods, services and investments. All these changes have brought new form of competition to hitherto many protected industries and public monopolies.

This intensifying competition and resulting pressures have lead to the emergence of competitiveness as a crucial enabler of prosperity in internationalising world. Liberalisation policies of 1990s and resulting de-licensing and deregulation have exposed Indian firms to intense competition in a very short period. The days of assured returns in regulated markets were over. Firms with poor operations and management are finding it very difficult to compete. Not only firms, but also industries and countries are waking up to the reality of improving their competitiveness, if they wish to grow and be prosperous. For instance, number of countries regularly monitor competitiveness performance of their countries on benchmarks such as the Global Competitiveness Report (GCR), and initiate changes in policies to create environment that facilitate competitiveness of their firms and industries.

Being vital to improving and sustaining development, economic prosperity and quality of life, competitiveness has received adequate attention of leadership in industry, government and research a long ago in select countries (Momaya, 2010). Country competitiveness has been increasingly receiving attention as progressive countries successfully implement strategies for development. Research on competitiveness got a major boost with pioneering work by Porter (1990) and team, and several extensions to the diamond model evolved. For instance, double diamond (Rugman and D'Cruz, 1993), competitiveness assets-processes-performance (Momaya, 1998, 2001), models focusing on human factors and their extensions such as dual-double-diamond (Cho, Moon and Kim, 2007).

The importance has been lately recognized in India also. Competitiveness has emerged as a useful indicator of long term socio-economic health of a country, an industry as well as a firm. The competitiveness issue was neglected for long time in India. Fortunately, it has been receiving increasing attention in India since 1990s. The Competitiveness Report finds wide coverage in many business newspapers and magazines. Confederation of Indian Industry (CII) project on competitiveness received considerable attention (Porter, 1994). Most of the companies have started talking about the need to be competitive. For instance, ITC recognized competitiveness as the compelling agenda (ITC, 1998). National Competitiveness was theme of the 1998 Silver Jubilee Convention of the All India Management Association. Eight case studies containing propositions to move towards "India Incorporated" were presented at the convention

(Gupta, 1999). A conference on national competitiveness policy was also organized in 1999 by the National Productivity Council (NPC, 1999). Opening up India becoming a global marketplace (e.g. Hill and Jain, 2006), competitiveness has become a necessity for all kind of firms and even organizations in India.

The possibility of poor competitiveness being at the root of numerous persistent problems being faced by a developing country such as India has been a major motivator of our research. Numerous reasons can be given for persistent problems faced by companies and industries in India, however the root cause may be poor competitiveness. The problem of poor competitiveness in India is visible at all levels and appears to be a root cause of survival crisis being faced by numerous Indian industries and thousands of firms. An attempt is made here to give a glimpse of the problem. The lack of competitiveness is evident on many direct and indirect indicators. Examples of direct indicators are ranks on the Global Competitiveness Report (GCR) or the World Competitiveness Yearbook (WCY). According to the WCY, India has stagnated already low ranks, 38 till 1996.

Significant jump in competitiveness India has achieved during last four years is indicative of the huge opportunities. Rarely in past, India has jumped such fast on competitiveness ranks as in the last half decade—from 47 to 28 (see Table 1.1). China did massive scale-up for several decades with double digit growth, jumped to rank 4 in large strong country group and is aiming for rank 2 in that group within few years. Vast gaps in per capita GDP of India as compared to developed countries hint at huge potential opportunity. While some in G7 can say that Indians should be content with development they can have with annual per capita incomes remaining below Rs. 1 lakh (about Yen 2 lakh or US$ 2,500 by 2015), that may not be acceptable to many in India, particularly youth mass that have energy and capability to compete in toughest arena internationally.

Similarly, symptoms of the root problem of poor and declining competitiveness are visible on many indirect indicators also. For example, position and trend in trade performance, fiscal situation and more intangibles like education, pollution, unemployment, law and order, quality of life, are just a few to name in the long list.

**Table 1.1 Trends in competitiveness ranks of India and select countries**

| *Country* | *Per capita GDP* | | | *National Competitiveness Research Year of Survey* | | | | |
|---|---|---|---|---|---|---|---|---|
| | *2009* | *2008* | *2007* | *2009* | *2008* | *2005* | *2004* | *2003* |
| USA | 46,381 | 46,716 | 46,849 | 2 | 1 | 1 | 1 | 1 |
| Canada | 39,669 | 42,030 | 39,901 | 3 | 4 | 2 | 3 | 8 |
| Australia | 45,587 | 47,498 | 43,752 | 7 | 10 | 15 | 16 | 14 |
| Japan | 39,731 | 38,443 | 40,207 | 20 | 16 | 19 | 19 | 30 |
| Korea | 17,074 | 19,115 | 16,740 | 23 | 22 | 22 | 25 | 27 |
| China | 3,678 | 3,263 | 3,593 | 17 | 20 | 24 | 32 | 31 |
| **India** | **1,031** | **1,068** | **904** | **28** | **33** | **47** | **42** | **42** |
| Out of no. of Countries | | | | 67 | 67 | 66 | 68 | 56 |

Source: IJGBC; ,Developed based on data from National Competitiveness Research Report (2010)

Notes: Ranks for India in NCR in 2006 and 2007 were 38 and 32 respectively.

The trade performance of India and the trends are other good indicator that confirm her precarious position and slide in competitiveness. India's more than 1.5% share of the global trade in the 1950s shrunk to as low as 0.5% in the 1990s. India has persistently created trade deficits through most of her post independence history except twice or thrice. A glimpse of the balances and the trends including on diligently used trade competitiveness index (TCI) is provided in Table 1.2. It is a matter of common sense to understand implications of such persistent imbalances or downtrend in TCI, yet country as a whole of firms and industries has little to show in terms of balances at best of youth stage.

India faces multitude of complex problems: social, economical, technological, etc. Stagnant or declining competitiveness of many industries is a key reason for her weakness at improving quality of life for Indian masses significantly even after 50 years of independence. India's per capita GDP was still \$362 in 1995, whereas it was \$36,572 for Japan, \$10,645 for Korea, \$4,871 for Malaysia, \$1,165 for Indonesia and \$571 for China (Keizai, 1998). Other key symptoms of India's competitiveness problem are discussed here.

**Table 1.2 Trends in trade balances and trade competitiveness index for India**

| Criteria | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Exports** | 2038 | 2090 | 2551 | 2934 | 3753 | 4564 | 5718 | 6559 | 8408 | 8455 |
| **Export growth Rate(%)** | 28 | 3 | 22 | 15 | 28 | 22 | 26 | 15 | 28 | 1 |
| **Imports** | 2309 | 2452 | 2972 | 3591 | 5011 | 6604 | 8405 | 10123 | 13744 | 13637 |
| **Import growth Rate(%)** | 7 | 6 | 21 | 21 | 40 | 32 | 27 | 20 | 36 | -1 |
| **Trade Balance** | -273 | -362 | -421 | -657 | -1257 | -2040 | -2687 | -3565 | -5337 | -5182 |
| **Trade Competitiveness Index** | **-0.06** | **-0.08** | **-0.08** | **-0.10** | **-0.14** | **-0.18** | **-0.19** | **-0.21** | **-0.24** | **-0.23** |

Source: Developed based on data collected from Survey of Industries (various years)
Notes: 1. Trade competitiveness index is ratio of trade balance to total trade

### 1.1.1 Rebirth of manufacturing for India?

Many sectors in India have faced the survival crisis in the 1990s; manufacturing appears to be one of the worst affected. The economic reforms of 1991 and the abolition of *license raj* meant that the old world of protection that Indian industries enjoyed had once and for all gone. Over the years since then, the new regime of competition began to take shape, in terms of danger of existence to Indian manufacturing. The influx of foreign capital, goods, and the production processes themselves—consequent to lowered custom duties, and other incentives to foreign capital—poses new challenges and opportunities for the firms. The exposure to rapid globalization has posed survival threat for many, because the old-fashioned and primitive practices used to manufacture goods and sell them to the Indian consumer are no match to sophisticated practices of international competitions. The Nehruvian vision of industralisation and the ethos of self-reliance, i.e., the idea that a country's industrial strength is nothing more than the sum total of capacities, lines of production, and number of factories dotting the countryside, are less relevant in today's economy. "Earlier it was the rule to produce everything, whether it made sense from the macroeconomic point of view or not. It was exception not to produce something here" says an industry analyst. But in today's highly competitive world the survival of the firm/industry depends on their ability to produce quality for which you need to have quality-conscious workforce. The requirements of a global player are to have the right product at the right time and at the right price—with the quality of the product ensuring customer satisfaction (Suresh Krishna in Upadhyay, 1999).

Similar to manufacturing, many sectors in India need to shift their views about competitiveness to face and sustain the onslaught of competition. We cannot rely on our comparative advantages of cheap labour. Considering the quality and productivity of Indian labour, the labour becomes costly. Growth rates of labour productivity, whether measured on gross output/ worker or value added/ worker are low in India (Table 1.3). Forget about best globally, the absolute values of production are low, when compared with newly industrialised economies (NIEs) such as China, Korea, Malaysia, etc.

**Table 1.3:** Comparative labour productivity

| | Gross Output/ Worker ($) | | | Value Added/ worker ($) | | |
|---|---|---|---|---|---|---|
| COUNTRY | 1990 | 1995 | % growth | 1990 | 1995 | % growth |
| **India** | **19250** | **19664** | **0.43** | **3438** | **4096** | **3.56** |
| China | 6564 | 12444 | 13.61 | 1697 | 3358 | 14.63 |
| Korea | 82959 | 146227 | 12.00 | 33184 | 64077 | 14.07 |
| Malaysia | 42503 | 71398 | 10.93 | 10881 | 18475 | 11.17 |

*Source*: Business India, Jan 25,1999.

### 1.1.2 Liberalisation, recession and business failures

Slackened growth in the late 1990s, intensified competition and mounting business failures across sectors have brought the issue of competitiveness to the forefront in India. Explosive growth was witnessed in 'liberalised segments' during 1992-95. Many local and global players entered in the arena. Excess capacities were build in some industries expecting sustained growth, overlooking vital issues like economies of scale, efficiency and cost competitiveness. Slowdown in growth and shrinking demand exposed the weaknesses in strategies and implementation of many players. Automobile, cement, steel and telecom are just few examples of sectors that have witnessed demand slowdown and resulting pressures on margins, and firms have faced survival crisis. Business failures are mounting and consolidations have started.

Liberalised environment has enhanced possibilities of mergers and acquisitions, and Indian companies are no match for giant, resourceful MNCs. Last few years have witnessed flurry of mergers and acquisition (M&A) activities, many driven by MNCs. Examples of such acquisitions are: TOMCO acquired by HLL, Parley by Coke, etc. Some strong Indian players have taken over companies in distress and consolidated their positions. For instance, Larson and Toubro (L&T) have taken over many small cement companies. However, many noncompetitive, yet resource-rich Indian firms may suddenly find that they are takeover targets. In joint-ventures (JVs), Indian firms often loose out to their foreign partners. For instance, among major joint venture/ alliances in Indian automobile industry, almost in all cases the Indian partners have to give up control to their foreign affiliates. For instance, Hindustan Motors to General Motors, DCM to Daewoo and Mahindra & Mahindra to Ford, just to name a few.

Poor competitiveness of Indian firms, when compared with MNCs has become evident in the first rounds of liberalisation. The weaknesses on external front reverberate on internal front also; as the root cause may lie in national attitudes. Fiscal mismanagement is evident in high fiscal and budgetary deficits at the national as well as state levels. The country has quite high savings rate, but inability to translate majority of these savings in productive competitive assets is another facet of poor competitiveness. This means shortage of capital for investment and urge to look desperately for the foreign direct investment (FDI). The country has been an addicted borrower, almost caught in the debt trap. The adverse consequences of excessive dependence on transient FDI have repeatedly become apparent through Mexico, Latin American and recently South East Asian crisis.

Indian private sector has been less successful than MNC's in reaping rewards of liberalisation and public sector has been a real loser in phase 1. A study indicates that MNCs have benefited most from liberalisation in India (Saraf, 1998). This is evident in the wide gaps between MNC's, domestic private sector and public sector in terms of change in market capitalisation (Table 1.4). Despite small size of sample, findings clearly hint that competitiveness of many Indian firms and industries is questionable and need to be looked into.

## Table 1.4: Winners and losers of liberalisation in India

| | Market Capitalisation, Rs. Crores | | | % Change |
|---|---|---|---|---|
| Sector | 1994 | 1996 | 1998 | 1994-98 |
| Foreign MNCs (10) | 37,276 | 32,746 | 69,676 | **87.00** |
| Public Sector (14) | 162,874 | 133,086 | 141,941 | -12.85 |
| Dom. Pvt. Sector (26) | 64,832 | 93,736 | 88,271 | 36.15 |

*Note:* Numbers in bracket are number of companies surveyed.
*Source*: Saraf, 1998.

### 1.1.3 Example of the challenge

Without thorough preparation, Indian companies will not be able to participate in the global business Olympics. Competing against global giants is a tough task. The domestic players are often reduced to secondary role on low value added segments of the value chain. For instance, assembly of CKD/ SKD, sales and after sales service are the segments were intense competition among local players is introduced. Whereas, Indian player's share in concept, design, engineering and manufacturing of critical components and assemblies may be reducing. On projects, Indian players often disqualify in preliminary rounds, mainly due to their relatively weak technological, financial, quality and implementation capabilities compared to resourceful MNC giants. Some companies have been trying hard to enhance their capabilities. However, there is a view that unless some corrective measures are implemented to enhance industry competitiveness, which shape the context in which companies compete, not many companies can become world-class. The importance of industry level competitiveness in enhancing competitiveness of the companies and countries has been increasingly realized in developed world also (Momaya, 1996).

Impact of the changing competitive scenario at the country, industry and corporate levels are visible on individuals also. The dream of increased employment by liberalization may have gone sour. The phenomenon of "Jobless Growth" experienced in many developed countries has now been observed in India also. There may be some job creation for very capable, individuals in competitive firms, but job thirst of many educated youth may remain unsatisfied. On the contrary, many experienced people are losing their jobs in restructuring. Adverse impacts of these are seen on family, and in society in which the crime rate is increasing alarmingly.

### 1.1.4 Technological competitiveness

Management of technology can become a source of differentiation as technologies diffuse rapidly in India. Youth in India is embracing ICT technologies rapidly as internationalization improves access. For competitive advantage at firm level, such technology adoption need to translated into technological competitiveness, quite tough challenge for Indian firms, including emerging country MNEs (eMNEs). Research on EMNE catch-up has been giving a glimpse of such challenges (e.g. wind turbine industry, Awate et al., 2012).

Macro context of technological competitiveness of country also plays a role in choices of firms. Research on positions and trends in technological competitiveness of India and relevant countries gave a stark picture of reality. Overall technological competitiveness is measured as a composite index having more than ten criteria. Not only in the lowest cluster among 21 countries, India is only ahead of Indonesia in terms of technological competitiveness, a vast lag when compared to overall competitiveness.

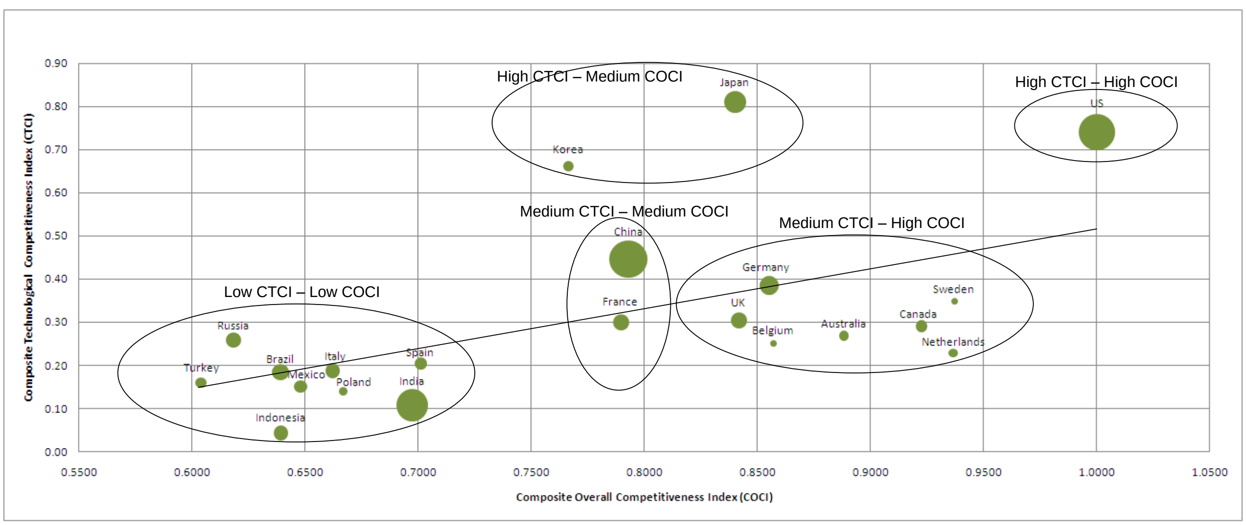


**Figure 1.1 Overall and technological competitiveness of India and select countries**

Source: Mittal, Momaya and Sushil, 2013

### 1.1.5 Motivation

The survival and growth challenges brought about by unprecedented change and resulting urge of firms to know about dynamics of competitiveness for corporate success have been major motivators of the ongoing research by “Group on Competitiveness”. Frameworks and models about competitiveness popular in the developed world are often not very suitable or require significant adaptation to be of any use in Indian context. The stages of development and infrastructure and many other parameters are different. Hence, blind application can be counter-productive. For instance, a number of incidences of failure of application of Porter's model have been reported. Detailed study has identified inherent bias in some competitiveness methodologies (Momaya, 1996). Hence, it is essential that a critical review of different approaches be undertaken to identify or develop appropriate framework(s) to be used in the research. Attempt will be made to incorporate experiences of researchers, who have tried to apply some of these frameworks in Indian context. If some light can be thrown on this complex yet important topic of competitiveness touching lives of ordinary persons to firms, institutions, industries and countries, our efforts will be fruitful.

## 1.2 Importance of Competitiveness

Intensifying competition is a reality in today's changing world order. Firms need to be competitive to succeed against competition. Competitiveness is a foundation for the success of any venture or company or industry or country. It is a concept that has long-term implications for the industries and is the initial point of strategic thinking for the organisations. The success or failure of a company depends on the amount of competitive advantage it enjoys vis-a-vis its rivals in delivering the quality product or service to the customer at lower cost. Organisations need to learn about creation and sustenance of competitive advantages in their respective segments. Organisations interested in winning medals in global business *Olympics,* need to constantly monitor their performance against their competitors in terms of market share, cost competitiveness, etc.

Competitiveness has increasingly become important, as it shapes survival and success in today's globally competitive business arena. The positive correlation between economic development and competitiveness of a country is evident from the examples of Japan and Germany. For countries, competitiveness is perceived as a measure of the success of its strategic policies and implementation capabilities. Thus, competitiveness is emerging as a versatile indicator of the socio-economic well being of a country. It is heartening that the concept has of late started receiving its due attention in India also. It is never too late. For instance, annual competitiveness ranks of National Competitiveness Report (NCR) and World Competitiveness

Yearbook (WCY) are prominently featured in business newspapers and magazines. Most of the findings hint at grave crisis of competitiveness, being faced by India, her industries and firms. Considering the importance of competitiveness to improve the standard of living, the concept needs to be clearly defined and understood.

There is a need to understand and objectively evaluate the performance of the various firms, industries, ventures and other organizations so that their weaknesses may be identified and ways to improve their competitiveness can be explored. Let’s first explore quick working definitions of competitiveness for the context.

## 1.3 Defining Competitiveness

Competitiveness has relevance at different levels and achieving international competitiveness at any level often requires synergistic linkages with other levels. For instance, remarkable competitive success of Japan can be attributed to internationally competitive steel, shipping, automobile and electronics industries progressively over last four decades. Conversely, macro economic environments at the industry and country levels play crucial role in shaping competitiveness of firms and industries. For instance, enormous resource and knowledge base that Japan has built is reflected top ranks in S&T competitiveness that Japan has sustained for over two decades. Understanding linkages among different levels is essential for enhancing competitiveness at any level. Other basic concepts about competitiveness include dimensions, and components (Momaya, 1996).

Competitiveness can be defined at four levels: nation, industry/sector company and product. There are many different definitions of the comprehensive concept of competitiveness. To begin with, working definitions of competitiveness at three levels given by D'Cruz, 1992 had been used by us in the past research (e.g. Momaya 1998, 2001). We give updated ones which are more relevant for our context:

- *Country Competitiveness*: Take best from

- *Industry/ Sector Competitiveness*: Extent to which an industry or a business sector offers potential for growth and attractive return on investment. The concept can also be defined as the collective ability of firms in the sector to compete internationally.

- *Company Competitiveness*: Ability to design, produce and / or market products superior to those offered by competitors, considering the price and non-price qualities.

- Product Competitiveness: Ability of a product to diffuse rapidly across the world and capture high and sustainable share of market (or VA or wallet, etc.) for its producers and other stakeholders in the industry value system of that product.

The term industry and sector are technically different, but can be considered equivalent and are used interchangeably in this chapter. Above definition of industry competitiveness is too abstract for our purpose. A more performance-oriented definition of sector competitiveness can be given as: *"Collective ability of an industry on performance factors such as productivity, cost, market share, international share, net trade balance, technology and triple bottom line."*

## 1.4 Need to Understand, Diagnose or Evaluate Competitiveness

> *"You cannot improve what you cannot measure. Nor, unless you can be explicit about what you are doing and quantify its impact, can you learn from comparisons with others. To put the strategic ideas into practice, you need to measure the impact of your actions and to benchmark against others."*

The opening up of the Indian economy has brought new opportunities to the industries. It has also brought threats to many industries. Many firms and industries are trying to improve their competitiveness to survive and succeed in the changed competitive scenario. Most of these efforts are implicit, informal, diffused and hence less effective. Competitive industries may thrive and non-competitive industries may disappear. The Indian companies should benchmark with the best in the industry across the world and upgrade themselves to face the challenge and convert the problems into opportunities.

In the coming years, the companies will face even tougher competition for their survival. They have to live within the environmental constraints and adapt to environmental changes. Success or failure depends on the ability to capture or control scarce resources. Companies must respect and sustain their environments. For instance, in Japan, competitors often try to locate themselves in an advantageous position or niche. So, looking at the challenges and the problems faced by the Indian industries, the need to evaluate competitiveness of the industries was felt.

Competitiveness evaluation is a must for sustainable efforts to enhance competitiveness. Need for enhancing competitiveness is recognized and expressed in speeches, articles and reports by many leaders, ministers, administrators, managers and academicians in India as well as abroad. However, at few places one finds clarity about detailed understanding of evaluating competitiveness or framework to think about enhancing it.

Let us take an example of quick evaluation tools widely used by professionals in industry. Company competitiveness is a very exciting concept and most companies have reasonable feel for what dimensions are more relevant, even if they may take decades to achieve the goals. For comparability with their peers, they may consider external benchmarks. For international comparison, there are several popular lists such as Businessweek 2000. After careful review, we found Fortune Global500 to be good one for longitudinal review as it has existed for more than 3 decades and is fairly stable (used by researchers in EU also; e.g. HBR). Glimpse of longitudinal trends of contribution by firms from India and select large countries is given in Table. While India had contributed 8 firms since 200X, the divergence between trajectories of India and China is quite striking.

**Table 1.5 A comparative glimpse of world output for select countries and India**

| Countries | Nominal GDP, 2011 current prices US$ billion | Per Capita GDP, US $ | Number of companies in Global 2000, 2012 | Population, Billion | No. of companies/ Population (billion) | Land area, sq.km (000s) | Nominal GDP US$ million /Area | Firms / area (msqkm) |
|---|---|---|---|---|---|---|---|---|
| USA | 15,094 | 48,387 | 524 | 0.32 | 1663 | 9832 | 1.54 | 53 |
| JAPAN | 5,869 | 45,920 | 258 | 0.13 | 2016 | 378 | 15.53 | 683 |
| CHINA | 7,298 | 5,414 | 136 | 1.35 | 101 | 9600 | 0.76 | 14 |
| FRANCE | 2,776 | 44,008 | 63 | 0.07 | 964 | 549 | 5.06 | 115 |
| GERMANY | 2,493 | 43,742 | 53 | 0.08 | 647 | 357 | 6.98 | 148 |
| UK | 2,418 | 38,592 | 90 | 0.06 | 1446 | 244 | 9.91 | 369 |
| SOUTH KOREA | 1,116 | 22,778 | 68 | 0.05 | 1360 | 100 | 11.16 | 680 |
| **INDIA** | **1,676** | **1,389** | **61** | **1.21** | **50** | **3287** | **0.51** | **19** |

Source: Updated from Momaya, 2012; Developed based on data from world economic outlook database, Global 2000, etc.

## Let's Rethink and Act

Opportunities in Asia and India are perhaps unparalleled in recent history. While many countries in Asia developed themselves and gained economic prosperity in the $20^{th}$ century, most in south Asia have too low levels of income to meet basic needs. Window of opportunity for catch-up on competitiveness can be right for those countries, who can impart relevant values, skills and capabilities to their human resources. Competitiveness is becoming necessary for business—domestically and more so internationally—as markets or at least key segments become international. Clarity about basics of competitiveness can enormously help firms and other organizations accelerate their journey. Glimpse of trends in the journey of India and select focal firms is given in this chapter (Tables 1.1 & 1.5). At the same time challenges in climb to next stages are more difficult as most firms will have to think beyond cost competitiveness to sources of differentiation. Quick benchmarking on **technological** competitiveness clearly hints at vast opportunity for India to catch-up. Renaissance in industries envisioned by experts can be extended across domains from exports to technology, the mission of institutions such as IITs.

On the general level, India seems to be building commitment and capabilities to move forward to meet aspirations of millions and regain at least half the level of its contribution to the world it had for centuries. Climbing up to 20s ranks in country competitiveness (see Table 1.1) is quite an achievement, but next level—such as cooperation-driven and innovation-driven (Momaya, 2011) —are challenging and demands different capabilities.

Youth has energy to overcome any barriers and move in direction of their dreams. For a committed youth—like of what Swami Vivekananda was & nurtured—any challenge is a step towards success. Huge challenges of sustainable development that India faces demands cooperation for competitiveness at relevant levels. Journey from individual excellence to product competitiveness is a kind of ultra-marathon, if nor swiamathon[1]. While some youth are awakened and moving forward well up the ladder of excellence and competitiveness, many are still partly awakened. They need to get feel for spirit of the Vedanta**:**

---

[1] IITB has been experimenting with a smaller version of Swimathon for benefit of students and campus community. Participants challenge themselves to swim longest in 12 hour slot. To get a glimpse of the organizational innovation and recent levels, please read the basic paper Momaya, Reddy and Manthri (2013).

*This earth is higher than all the heavens; this is the greatest school in the universe.*

*Vivekananda (5:94)*

## Suggested Further Reading

These are indicative only. For more updated readings, please get in touch with core members of the Group on Competitiveness.

**Classics**


Hill, C. W., Hitt, M. A., & Hoskisson, R. E. (1988). Declining US competitiveness: Reflections on a crisis. *The Academy of Management Executive*, *2*(1), 51-60.

Chang Moon, H., Rugman, A. M., & Verbeke, A. (1998). A generalized double diamond approach to the global competitiveness of Korea and Singapore.*International Business Review*, *7*(2), 135-150.

Sushil, A. (2005). A flexible strategy framework for managing continuity and change. *International Journal of Global Business and Competitiveness (IJGBC)*, *1*(1), 22-32.


# Select References

Only select references are given here. Learners are expected to learn to search others.


Awate, S., Larsen, M. M., & Mudambi, R. (2012). EMNE catch-up strategies in the wind turbine industry: Is there a trade-off between output and innovation capabilities?. *Global Strategy Journal*, *2*(3), 205-223.

Balk A. (ed.) 1991. ASIAPOWER, Special Re[ort, IEEE Spectrum, June 1991.

Hill C. W. L. and Jain A. K., 2006, International Business: Competing in the Global Marketplace, Tata McGraw-Hill, New Delhi.

ITC, Competitiveness-The Compelling Agenda, Speech by Chairman, ITC Limited, Business Standard, August 19, p. 5, 1998.

Kanagasabapathi P. (2009). Indian Models of Economy, Business and Management, PHI Learning, New Delhi.

Keizai 1998.KeizaiKoho Center, Japan Institute of Social and Economic Affairs, Japan' 1998

Mittal, S. K., Momaya, K. S., & Sushil, S. (2013). Longitudinal and Comparative Perspectives on the Competitiveness of Countries: Learning from Technology and the Telecom Sector. *Journal of CENTRUM Cathedra: The Business and Economics Research Journal*, *6*(2), 235-256.

Momaya.K., (1998). 'Evaluating International Competitiveness at the Industry Level, Vikalpa, Vol. 23, April-June, 39-46.

Momaya K.(2012), India and Internationalization for Competitiveness: A Longitudinal Perspective, Editorial, International Journal of Global Business and Competitiveness (IJGBC), Vol. 7 (1), Global Institute of Flexible Systems Management.

Porter M., Ghemawat P. and Rangan S., Developing Competitive Advantage in India, Confederation of Indian Industry, New Delhi & Harvard Business School, 1994.

Saraf, 1998. 'MNCs have benefited most from liberalisation' Financial Express, Aug., 02, 1998, Mumbai, p 9.

Sheth J. 2008, Chindia Rising, Tata McGraw-Hill, New Delhi

Sushil, 1994. Flexible Systems Methodology, Systems Practice, Vol. 7. No. 6.

Upadhyay A. The end of Manufacturing, Business India, Jan 25,1999 p 58.

Vivekananda, 1993, Living at the source: Yoga Teachings of Vivekananda, Edited by Myren A. and Madison D., AdvaitaAshrama, Kolkata.

Momaya.K., 1998. 'Evaluating International Competitiveness at the Industry Level' Vikalpa, April-June 1998, published by IIM Ahmedabad.

**Acknowledgements**

Numerous people deserve to be thanked for their assistance in evolution of the book. Firstly thanks to Dr. Ajitabh, Tata Capital for his valuable inputs. Several members of the GoChas helped in processes related to update of the book. I specifically thank Nikita Mehta, LalitLalwani, Pranusha Manthri for inputs in trial run of the text.

**Notes**

---

[1] The concept of BRIC was popularized by Goldman Sach through the report Wilson, Dominic and Purushothaman, "Dreaming with BRICs: The Path to 2050," Goldman Sachs Global Economic Paper No. 99, Oct. 1, 2003.

# Appendix A1: Working definitions of select words

Working definitions of select key words and concepts used in the book are given here. These are contextual adaptations building on best of available definitions. The list is emerging and is no way complete.

**Benchmarking**

Benchmarking can be done at different levels (e.g. firm, industry and country) or contexts and definitions will vary. For the context, we have adapted a practical definition from Ajitabh

It is a process of measuring and comparing a firm's business processes, assets or performance against its competitors to obtain information that will help to identify its strengths and weaknesses and then to take appropriate measures, eliminate weaknesses (Ajitabh, 2007).

**Competitiveness**

Competitiveness has relevance and linkages across levels such as product, SBU, firm, group, other organization, **supply chain,** industry and country. For the context, out focus will be on micro dimensions of firm competitiveness, where process factors such as operations, HRM and output factors such as productivity, exports, growth and financial often become important.

**Business Competitiveness**

Term 'business competitiveness' has been referred to at macro-economic level (e.g. Porter et al., 2007), but we focus on micro levels of firm or a specific unit. Pl. refer to definitions of firm competitiveness.

**Firm Competitiveness**

This is one of the most relevant level where competitiveness has been widely used (Porter, D'Cruz, Momaya, Ajitabh) . It can be defined as

Ability and desire of a firm to produce products and services of superior quality and at lower costs than its domestic and international competitors.

It can be considered synonymous to a firm's sustainable performance, including ability to compensate its employees while generating superior returns to its shareholders (e.g. Basu, 2011).

**Excellence**

Excellence is very multi-faceted process with relevance across levels. In holistic sense, it is often considered to be built on several fundamental concepts (e.g. EFQM, 2012) has following (without priority):

- Adding value for customers
- Creating a sustainable future
- Developing organizational capability
- Harnessing creativity and innovation
- Leading with vision, inspiration & integrity
- Managing with agility
- Succeeding through the talent of people
- Sustaining outstanding results

**It is often considered never ending journey, yet** it today's fast paced "information era," few would have infinite patience for results.  EFQM has following criteria definirtion:

Excellent organisations achieve and sustain **outstanding results** that meet or exceed the needs and expectations of their business stakeholders.

We may define following group excellence (ideally team) as following:

Excellent groups achieve agreed results (if not outstanding) enjoyably and sustain through balances on cash flow, revenues, reserves and international fronts.

**Business excellence**

Here is very crude intuitive for firm level:

Capability of the firm to improve on customer, market and financial results **sustainably.**