

IMPERATIVES, CHALLENGES AND TASK REQUIREMENTS FOR BECOMING A GLOBAL PLAYER: THE CASE OF INDIA

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ABSTRACT

India's external debt has been rising ever since independence 50 years ago. The debt service ratio has also been rising and touched a peak of approximately 35%. The country also has been facing foreign exchange crisis on account of the above and increasing imports burden. The two make India a disadvantaged player in international trade. Exports alone are not able to meet the increasing demands of foreign exchange. It is necessary that India to generate foreign exchange and develop debt-repaying capacity through alternative means like becoming a global player. Foreign investments inspired inflows, which have provided a temporary respite from foreign exchange crisis, may not be a lasting solution, if necessary structural changes are not undertaken to make India a global player. The investments may dry up soon if they do not fetch expected returns. If they are successful they will generate additional demand for foreign exchange. The structural changes undertaken so far do not seem to be adequate to make India a truly global player. Indeed, it looks that the initiatives taken may lead to India becoming a global market instead. The paper suggests that there is a need for major changes in the present approach, which almost ignores new product development within the country. It identifies the barriers to India's becoming a global player and suggests several action strategies.

The paper has been divided into five sections. Section I gives introduction and raises the issues of adequacy of the economic reforms initiated by the government of India six years ago, to meet the long term challenges that the Indian economic system. Section II gives the historical backdrop and current scenario of external debt and foreign exchange and points to the need of India becoming a global player. Section III presents the trends and patterns of foreign collaborations, import and exports. Section IV explains possible reasons for the same for the present state of affairs. It also presents the findings of a study on foreign companies' interests in India and discusses behaviour of the domestic companies, leading to the conclusion that India may become global market instead of becoming a global player, and possible long-term repercussions thereof. Section V discusses several policy and action strategies required to supplement the current reform measures to meet the challenge that the Indian economy faces today.

1.0 IMPERATIVE, CHALLENGES AND TASK REQUIREMENTS FOR BECOMING A GLOBAL PLAYER: THE CASE OF INDIA

1.1. Introduction

In 1991, the newly elected Prime Minister of India Mr. P.V. Narasimha Rao, announced major changes in government's regulatory policies, to overcome deficiencies in the Indian economic system. The measures aimed at reducing the restrictions imposed on the Indian industry through licensing system, and opening up the Indian economy to the foreign companies. The foreign investors were also encouraged to invest their capital. These measures were expected to make Indian industry more competitive, not only nationally but also internationally. The latter was especially a very attractive proposition. Liberalisation and globalisation became the buzz words, expected to take India to commanding heights in world economy. Six years have passed since. It is time to take a stock of the achievements. To what extent the economic reforms have fetched results expected? What are the trends visible? What may be the repercussions? Is India emerging as a global player or is India becoming more of a global market only? An analysis is important as it has serious implication not only for economic development, but also even for the sovereignty of the country in the long run.

1.2. Significance of India becoming a Global Player

Before we delve over the above issues, it is important to understand what, if any, is the relevance for India to become a global player? Why should we bother about it, if it does not matter for us economically? On the basis of available facts, it looks that becoming a global player is relevant for India for several reasons.

Fifty years ago, when India became Independent, it was largely an agrarian society. Agriculture was the mainstay of Indian economy. Industrialisation was at a very low key. The world experiences available suggested that the fast economic growth required rapid development of infrastructure and industry.

The country at that point of time neither had the necessary investible funds nor the necessary technical manpower. Fortunately Britain honored its war debts, which created sterling reserves. Britain however, was not in a position to pay it in cash and agreed to do so by way of funding technology transfer. Initially, therefore, the country had a large number of British collaborations. This, however, was not enough and the funds soon dried up. The country was facing an acute shortage of foreign exchange for managing key inputs and for procuring food grains. Of course a very heavy price had to be paid in terms of dictates of provider countries, which did not mind using country's miseries, for bargaining and arm-twisting. It culminated into such a crisis that in 1965 the Prime

Minister Shastri had to give call to countrymen to "miss a meal" weekly to save the sovereignty of the country.

Table 1
India,' Exports (Including Re-exports) and Imports
and Balance of Trade From 1978-79 to 1994-95

(Rs. In Lakhs)

| Year | Exports (Including Re- exports) | Imports | Balance of Trade |
|---------|---------------------------------------|---------|------------------|
| 1978-79 | 572606 | 681064 | (-)108457 |
| 1979-80 | 641843 | 914258 | (-)272415 |
| 1980-81 | 671071 | 1254915 | (-)583844 |
| 1981-82 | 780590 | 1360755 | (-)580165 |
| 1982-83 | 880336 | 1429274 | (-)548938 |
| 1983-84 | 977071 | 1583146 | (-)606075 |
| 1984-85 | 1174368 | 1713420 | (-)539052 |
| 1985-86 | 1089459 | 1965769 | (-)876310 |
| 1986-87 | 1245195 | 2009576 | (-)764381 |
| 1987-88 | 1567366 | 2224374 | (-)657008 |
| 1988-89 | 2023150 | 2823522 | (-)800372 |
| 1989-90 | 2765842 | 3532835 | (-)766993 |
| 1990-91 | 3255763 | 4319286 | (-)1063523 |
| 1991-92 | 4404181 | 4785084 | (-)380903 |
| 1992-93 | 5368825 | 6337452 | (-)968627 |
| 1993-94 | 6975139 | 7310101 | (-)334962 |
| 1994-95 | 8267411 | 8997066 | (-)729655 |

Source: Monthly Statistics of Foreign Trade, Ministry of Finance, Government of India, 1996

Imports of critical products, inputs, capital equipment and debt service have been responsible for continual foreign exchange crises in the country ever since independence. Some countries in the Eastern Europe, (Socialist block) led by erstwhile USSR came to the rescue and helped to some extent in overcoming the crisis arising from the adverse balance of payment (emanating from adverse foreign trade balances and loans for developmental activities), by agreeing to rupee payment for imports of products and services. This eased the problem though it did not solve it. With the fall of USSR and the Socialist Block, the country has lost a cushion for foreign exchange. The foreign exchange crisis was further accentuated with steep rise in oil prices from the early nineties, leading to a situation that the country had to bow to the demands of international agencies for economic reforms mentioned in the opening paragraph of this paper.

The foreign exchange crisis is arising on account of two major factors, namely, the adverse balance of trade and the debt service. The import- export balance has always been unfavourable for India (see table 1). It has been a big drain on the foreign exchange reserves and there seems to be no respite possible.

Further, the country has taken increasingly higher level of loans from the international agencies for infrastructure and other development purposes. The total loan at present is a staggering figure of Rs. 311792 crores as on March 31, 1995, rising 239% in just 5 years (1990-95), forming 34% of GDP, binding every Indian including the one in the lap to a debt of over Rs. 3117 (see table 2). In real terms the serving average Indian is indebted to the tune of a quarter of his whole years income and all this is to be repaid in foreign exchange.

Compounding the problem of debt is servicing the debt itself. In recent years the increase in debt every year has been less than the amount involved in debt service. In other words the loan amount has been increasing to a large extent on account of debt service itself. The country has to earn foreign exchange for increasingly higher levels of debt servicing of these loans. This of course can't go on indefinitely. The country has to develop the capacity to contain debt and to generate enough surpluses for debt servicing without foreign assistance.

There is no respite from the problem, even now, although there is short term breathing time available at present on account of heavy inflow of foreign capital for investment from the multinational corporations and from non-resident Indians and developmental loans from international agencies. However, these reserves may soon evaporate, if the country is not able to achieve structural reforms and enhance its foreign exchange earning capacity. The international agencies, with the backing of developed countries, would not think twice in taking drastic measures, if India faces the situation of 1991 again. It has not only to earn surplus to retain the interest of foreign investors in the domestic market but also earn enough foreign exchange to let them repatriate their share of profit.

Given the above facts it becomes imperative that suitable measures are thought out to combat the growing foreign debt and earn enough foreign exchange to repay the loans. If India is not able to shift the gear quickly, the euphoria of foreign investors to invest in the country may die down, choking the inflow of foreign investment (if not withdraw itself) leading to reduction of foreign exchange reserves and threatening debt trap of 1991 again.

This requires arresting the adverse foreign trade position and reducing the drain on foreign exchange on account of other activities, primarily the developmental loans. While we shall discuss the second issue a little later, it is necessary that India identifies the avenues for

Table 2
India's External Debt (as at the end of March) (Rs. Crores)

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|--------|--------|--------|--------|--------|--------|
| 1. Multilateral | 32886 | 40386 | 68262 | 77758 | 82199 | 89819 |
| a) Govt. Borrowing | | | | | | |
| i) Concessional | | | | | | |
| ii) Non Concessional | | | | | | |
| b) Non-govt. Borrowing (Non Concessional) | | | | | | |
| 2. Bilateral | 22993 | 27378 | 47603 | 50258 | 54580 | 63761 |
| a) Govt. Borrowing | | | | | | |
| i) Concessional | | | | | | |
| ii) Non Concessional | | | | | | |
| b) Non-govt. Borrowing | | | | | | |
| i) Concessional | | | | | | |
| ii) Non Concessional | | | | | | |
| 3. International Monetary Fund | 2572 | 5132 | 8934 | 14985 | 15812 | 13545 |
| 4. Export Credit | 80002 | 8374 | 12418 | 13484 | 16307 | 20876 |
| i) Buyers | | | | | | |
| ii) Suppliers | | | | | | |
| iii) Export Credit Component of | | | | | | |
| Bilateral Credit | | | | | | |
| 5. Commercial Borrowing | | | | | | |
| i) Commercial Bank loans | 15988 | 19727 | 35711 | 36367 | 38782 | 40915 |
| ii) Securitized Borrowing | | | | | | |
| 6. NRI Deposits (7 year maturity) | | | | | | |
| 7. Rupee Debt | 15719 | 20030 | 27384 | 34941 | 39729 | 39129 |
| Total L.T. Debt | 19075 | 25199 | 31956 | 33149 | 31634 | 30315 |
| 8. S.T. Debt | 117235 | 146226 | 232268 | 260942 | 279043 | 298360 |
| Total Debt | 12964 | 16775 | 20642 | 19804 | 11135 | 13432 |
| 9. Debt Stock - GDP Ratio % | 130199 | 163001 | 252910 | 280746 | 290418 | 311792 |
| 10. Debt- Service Ratio | 28.5 | 30.4 | 41.1 | 39.9 | 36.9 | 34.2 |
| 11. Debt Service Amount* | 30.9 | 35.3 | 30.2 | 28.6 | 25.1 | 26.7 |
| 12. Change in Loan over previous year* | | 32802 | 89905 | 27838 | 9672 | 21374 |

Source: Report On Currency and Finance (1994-95), Ministry of Finance, Government of India, pp. 304-305 * Calculated by

earning foreign exchange surplus through international operations including exports and multinational operation. Becoming global player is, thus, not only important but also imperative for maintaining the sovereignty of the country itself.

1.3 Is India becoming A Global Player or A Global Market?

Is India likely to become a truly global player in years to come through the reform measures undertaken so far? Does it have enough technical and managerial muscles to compete in international markets on its own? The answer to me could be both yes and no. Yes, because I believe that India has inherent capability to do so. Since Indus Valley civilisation the country has been given new things to the world. The country was facing perennial food crisis ever since independence until Shastri gave the call of "miss a meal" and the country had green revolution, which reduced the food problems to a substantial extent. The answer could be NO, because India is perhaps "not learning to deliver", by making best use of resources at its disposal. It is not able to develop a delivery system, which is its own. It is not undertaking enough and appropriate measures to become a global player. Worse still, the current policies and strategies at macro and micro levels may make one apprehensive of India becoming a global market instead. These apprehensions arise out of the following trends:-

1.3.1 Increasing Import Export Gap

The import-export gap is maintained over the years (see table 1). Indeed, the imports have growing steadily and there is no sign of it's decline. The gap is so steady, except a few fluctuations here and there, it looks as if the adverse balance of trade is maintained as a policy rather than occurring by default (see fig. 1).

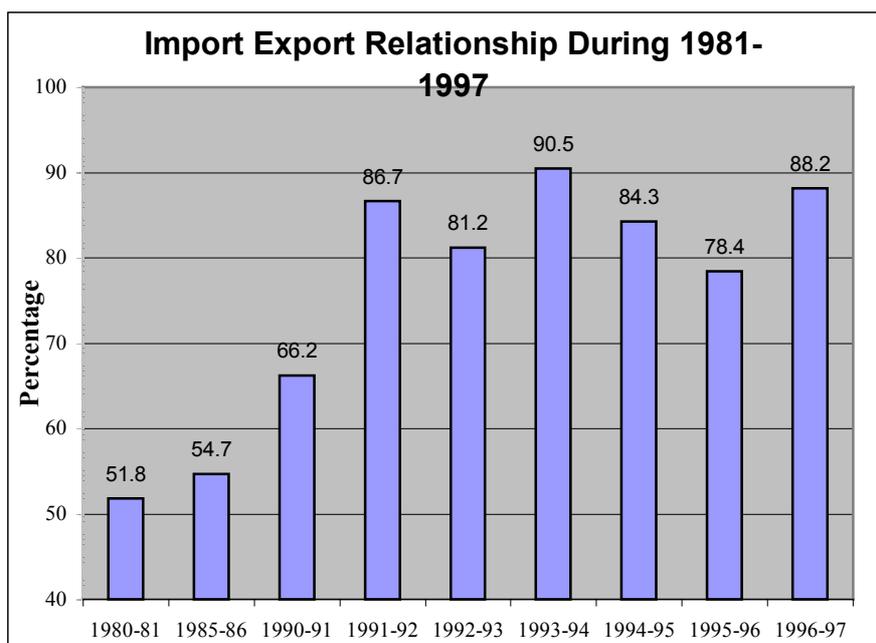


Fig 1 Import -Export Relationship During 1981-1997

The gap is not so large that it could not be bridged. There is six years difference in terms of exports and imports performance, i.e., if in any year the import amounted to X; 5 or 6 years later exports touched that figure. The task is not truly gigantic, but still it is big enough for the country to manage, especially because the main items of exports, traditional, the agricultural products, is tapering off, and the other growing items like the marine products and ready made garments are being blocked. The terms of trade are also becoming adverse.

1.3.2 Trends in Foreign Collaborations

India has adopted the approach of developing industrial infrastructure and skilled manpower through collaborations. It was expected as a measure to enable India "take off". It was not expected to be a permanent feature of the magnitude we see today and the repercussions thereof. Before we go into these issues, it may be worthwhile to have a look at the patterns/trends in foreign collaborations.

Table 3
Foreign Investment Approved

| Country | Total Number of Proposals Approved | | | | |
|---------|------------------------------------|------|------|------|------|
| | 1991 | 1992 | 1993 | 1994 | 1995 |
| 1 | 2 | 3 | 4 | 5 | 6 |

| | | | | | |
|----------------|-----|------|------|------|------|
| 1. U.S.A. | 178 | 332 | 298 | 348 | 468 |
| 2. U.K. | 135 | 185 | 172 | 193 | 201 |
| 3. GERMANY | 157 | 198 | 173 | 217 | 252 |
| 4. JAPAN | 72 | 108 | 92 | 135 | 148 |
| 5. ITALY | 61 | 68 | 55 | 86 | 121 |
| 6. AUSTRALIA | 22 | 32 | 30 | 39 | 43 |
| 7. SINGAPORE | 18 | 35 | 41 | 64 | 65 |
| 8. NETHERLANDS | 50 | 61 | 56 | 89 | 145 |
| 9. SWITZERLAND | 51 | 82 | 62 | 56 | 85 |
| 10. TAIWAN | 5 | 16 | 20 | 19 | 17 |
| 11. AUSTRIA | 11 | 19 | 33 | 36 | 34 |
| 12. FRANCE | 40 | 59 | 47 | 60 | 67 |
| 13. N.R.I. | 6 | 52 | 126 | 168 | 147 |
| 14. OTHERS | 151 | 273 | 271 | 344 | 550 |
| 15. TOTAL | 957 | 1520 | 1476 | 1854 | 2337 |

Source: Report On Currency and Finance (1994-95), Ministry of Finance, Government of India, p.254

Table 3 gives the number of foreign collaborations over five years (1991-1995). It will be observed that the number of collaborations are on the rise, especially from the U.S.A. and the other South-east Asian countries and Japan.

This alone, however, does not give the real feel of the fluctuations and trend. Figure 2 showing patterns of foreign collaborations approved over the 45 years (1951-1995) indicates that there is steady rise in 1980s and a steep rise after the liberalisation of Indian economy (1). While a detailed study is required to probe into the nature and purpose of the collaborations, one may wonder about the desirability and repercussions of the same.

The next question then is how the foreign investments are being managed. Are the foreign companies putting in more of wholly owned subsidiaries or investing through joint ventures?

There is no straight data available. But comparison of the figures given by RBI regarding "foreign investments approved" and the data on "Foreign Collaborations approved" available from the Indian Investment Centre shows that the two are fairly close numbers. Thus the multinational companies are apparently routing their investments more through joint venture rather than by setting up wholly owned subsidiaries.

Looking at the data available it is clear that while there is need to become truly global player, the current trends do not indicate that India is anyway on the path of becoming a global player. Indeed it may soon become a global market only. The trends also do not instil any confidence that the situation may change, unless some radical changes in policies and practices, both at the macro and micro level are take place. It requires a discussion on the factors responsible for the trends.

1.4 Possible Reasons underlying the Trends

Why there is no major new product development activity taking place in the country? Why such a spurt in the foreign collaborations? There must be commonality of interest between the Indian and foreign partners. What are their interest respective interests and how it affects the country's technical and managerial competence development on a long term basis, are some issues which require careful analysis and attention.

1.4.1 Interest of Foreign Partners

A study was conducted in 1994 (under Euro-India Cooperation & Exchange Programme) on the perception of European Executives about India as a business partner (2). There were 54 respondents from the firms in Great Britain, France, Netherlands and Spain. The size of the firms ranged from 1 million ECUs and above, with about 50% of the respondents being the firms having turnover of 251 million ECUs and above. The respondents were Senior Executives of the firms. There were several issues on which the executives' views were sought and their opinions differed. There were two issues on which there was almost consensus, making it a response representing Europe's view. The two item were (i) India is a growing market and (ii) easy availability of skilled manpower in India.

The above findings have emanated from study of Indo-EC Business Relationship, but the same appears to be true in case of other economically more advanced countries like U.S.A. and Japan. What does it mean for India. What opportunities such perceptions provide? What threats they pose for the long term economic development?

It seems that it is very tempting for the foreign companies to have business relationship. The study further revealed that out of the 22 sampled companies which did not have business relationship with India, 10 showed their keenness to establish business relationship (3).

Although an indepth study alone could reveal the exact picture, the industry experiences and reports indicate that the foreign collaborations are primarily focussing on creating facilities for **manufacture of products**, rather than designing new products. It is understandable. The foreign collaborators can't pass on all the expertise required for the design and development of a product, including the development of vendors and expertise of vendors for a new product. The vendors get **developed concurrently** to the design and development of the new product. It should be noted that by new product development what is meant here is a product that did not exist earlier, or substantial modification in features of existing products are carried out (requiring totally new design of the product), rather than making minor alternations in the peripheral features. The technology exporters are not keen to pass on anything more than the know-how (to manufacture). They are too reluctant to give know why. They have serious apprehensions in losing their competitive edge, if they did so. Their apprehensions are not necessarily unfounded. For example, in 1970 USA readily transferred the silicon chip technology to Japan. At that time, of the ten leading companies, nine were Americans. By 1985, Japan had developed the chip technology to such an extent, that out of ten leading companies, nine were Japanese and one American (4). The MNCs thus seems to be more interested in exploiting India as a market for products designed elsewhere, as can be seen from the spurt in the acquisitions and take overs by the multinational companies in recent years.

This is duly supported by the finding of the study on "perception" mentioned earlier (5). Out of 21 companies who responded to the question of new product development in India, only one mentioned that it would like to do so, while nine categorically replied in the negative. Twelve of them mentioned that they "may not be averse to it".

The overall picture that emerges is that the foreign companies would not be keen to engage in new product development, from conceptual stage to basic design of the products; the design emanating from what the Indian Society needs, and the natural endowment of the country. The efforts on "product development" activity at the most focus on minor adjustments to suit the local requirements; that too in most cases confined to those alterations without which the product may be rejected in the country.

1.4.2 Behaviour of Domestic Companies

The Indian companies too have been keen to have foreign collaborations. India is a large market. It is significant to note that the product is already designed and developed in another country. Due to movements of Indian abroad, (with a large number settled there) a set of Indian consumers knows and is keen to have the products if only it was available in India. The deterrents are the lack of availability and the reach (in terms of price). In a market of this kind one could make a fast buck if only he could make the product here. The Indian companies are, therefore, under no pressure to make efforts to exploit global markets (6). With the effort required to milk the global market, they can exploit the opportunities much more here than abroad. They, by and large, sell their products abroad more if they had surplus (following less risky export route), rather than competing in global markets, treating the latter as an integral part of their corporate strategy.

The new product development activity in the domestic companies is not at a significant level. In a small way it seems to happen more in the unorganised sector. Some companies had been trying to develop new products in the early era (7). But as import of technology increased in 80's and 90's even they started adopting the route of manufacturing and selling products that could be produced just by importing technology. It is more so in case of large size companies, which have higher capacities to import technology and raise funds for capital investment, thus creating a barrier to most and compete with only a few. As mentioned earlier, the size of the market is so big that they can have at least initial success by skimming the creamy layer. If a product does not click and fails, the company suffers. What can they do any way for a product that is outrightly rejected by the society.

New product development is a hard job and involves years of slogging for understanding the societal needs, developing designs, helping vendor development, developing manufacturing technology, and then developing distribution network. The cost, risk and patience required is such that even domestic large organisations are not gathering courage to design new products. This can be appreciated in the face of easy availability of technology import and ready acceptability of foreign (designed) product to a reasonable segment of society that can ensure initial success. This is further facilitated by the fact that there is no pressure from competitors, as all of them are sailing in the same boat so far the initial design is considered.

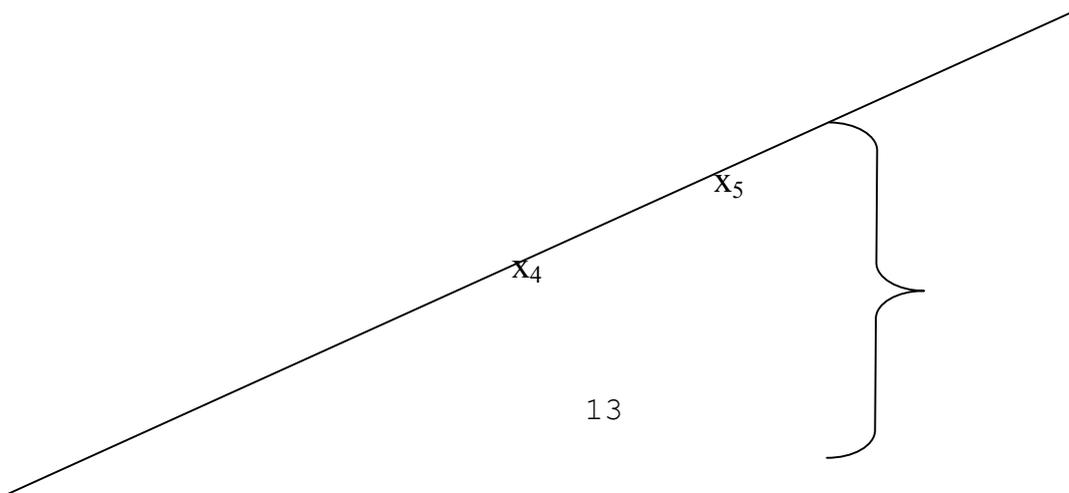
1.4.3 Policy Justifications

The third and perhaps the most important factor seems to be the policy justifications given for increasing imports of technology? What is the other way possible, if any, to catchup with the developed countries? Should we be necessarily trying to reinvent the wheel? These are some pertinent, important, philosophical and managerial issues, which need to be answered categorically by some of those who question the approach of achieving growth by import of technology (and upgrading it by repeated imports).

A convincing answer to the above questions would require a sound, critical analysis of the trends in foreign collaborations, as well as the expected repercussions on the economy as a whole and the country's cherished dream of achieving economic self sufficiency, global leadership etc., which is still a far cry after 50 years of the country's independence, but few obvious fallacies in the argument need to be pointed out.

1.4.3.1 The Issue of Catching Up

Before we move to the detailed discussion on the topic, it may be worthwhile to critically examine, albeit briefly, the strength of logic in catching up with the developed countries by importing technology and upgrading it by repeated imports of next advanced technology. The logic sounds extremely powerful for meeting the domestic demands of a large population. However, it can not help in improving internal technological strength of a country to develop new technologies, for initiating new product design from concept level onwards. Nor can it help in significantly improving production efficiencies and the quality of products. A cyclist can move from one location to another by latching on to a tractor, truck or aircraft, but it does not increase the strength of the cyclist to increase his speed substantially or go on his own to longer distances. By importing higher generation chips, the country's capacity to produce and maintain previous generation of computers is lost, which may be more than enough to meet the country's requirements. Today one has to purchase and update higher generation computers from



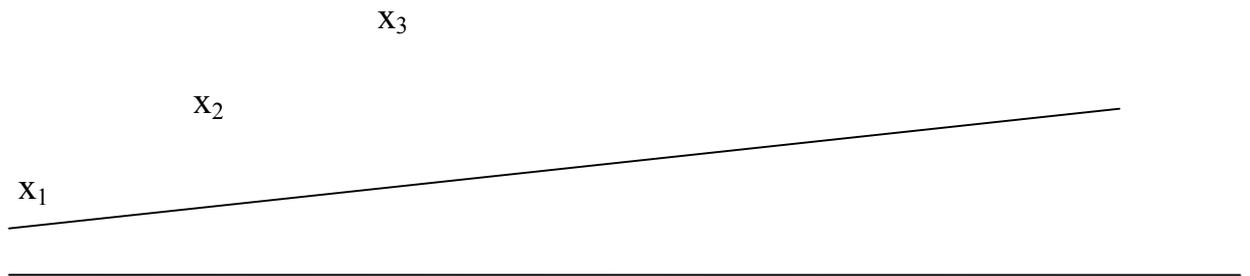


Fig. 3 Technological Gaps Due to Modernisation by Latchingup

PC-XT to AT286, AT386, System 486 and Pentium, not so much because the processing requirements have really gone up, but more on account of the vendors inability and refusal to maintain previous generation computers, wasting huge amount of scarce resources. Unfortunately, all that is being done with a false notion of catching up with higher levels of technology, while in real terms the country is lagging behind with every year passing. The real technological strength gap which needs to be reduced for self sustaining the economy and for global competition, is indeed widening.

1.4.3.2 *The Issue of Reinventing the Wheel*

It is not difficult to understand that why do the firms not try and spend resources in developing the new products and technologies. It is pure economic logic of not investing in development of something that already exists. The issue here, however, is not of reinventing the "wheel", but alternative mechanisms for movement, may be though linear rather than rotary motion. The issue indeed is not of developing the concept and design of loaf of bread again, but of meeting the requirements of hunger, through radically different alternatives like Chapati & Dal of UP, Tandori & Sarson Ka Sag of Punjab. The issue is not of designing Maggie Noodles again, but of developing conceptually different snacks like Dhokla, Bhajia, Idli, Upma and so on, each originating from natural endowments of the place, in a cost effective manner. But if we get hooked to the loaf of bread only as possible meal and noodles as snacks, it will be futile exercise to develop afresh the technology to manufacture loaf of bread, (thus re-inventing the wheel), with minor gains in slightly different product, may be associated with a little cost effectiveness. But no substantial gains can be expected out of such exercise. In trying to become modern through technology imports, the country may be missing out substantial opportunities to meet the societal needs in a cost effective manner.

1.5 *Other Repercussions*

The approach of managing growth and technological gaps by leap frogging through technology import has several implications for the long term economic development of the country. Some of them could be easily visualised, but some other would require deeper analysis and soul searching. In the following paragraphs we shall delve upon some of the important ones.

1.5.1 Development of Dependence Psyche

Over a period time now we have reached a state that even a divergent thinking in organisations seems to be an anathema. The psyche of the educationists in the institutions of higher learning is fast becoming that of adopting foreign technology, methods of manufacturing and even thinking (8). The catchy words are taken as concepts. Concept are turning to have only fashion value.

1.5.2 Low Level of "Total Technology" Strength of the Country

One of the biggest casualty of the indiscreet and incessant import of technology has been the lack of development of effective technological strength. By effective technological strength what is meant here is the capacity to design, develop, manufacture and sell products and services from concept stage itself. The whole gamut of tasks required to be undertaken if a conceptually new and different product is to be designed and developed, are often missing from the scene, once the technology is imported for manufacturing a product. If a new product was conceptualised it would require considerations of various design issues: identification of possible areas of application of new knowledge, translating those ideas on to the paper, thinking of alternative design features and attributes. It would also require exploring what are the raw materials and inputs available cheaply, freely and locally. The design itself would not consider those raw materials that were not available nationally. It would base the design on the machine tool capacity and vendor expertise available. Indeed, it will help in genuine development of expertise of vendor too, alongside the development of product. For example, the machine tool industry would gather enough orders to flourish and in turn help in changing the models to improve the product.

The development of new product takes place keeping the customer needs in mind or incorporating features that substantially increase utility of the new product, to make it attractive enough for the customer to make him try and buy. The whole system at the same time has enormous flexibility to adjust

to any changes required. For example, the machine tool making can adjust the dies and tools, the vendor can adjust to change in component design and the product manufacturer can incorporate all the changes he feels desirable, because each one has capacity to adjust by virtue of having effective technological expertise. The product design may not be finalised until the features seem to be acceptable to customers. It reduces risk of failure, produces cost effective design and enhances cost manoeuvring capacity.

The new product design activity, thus considers the societal requirements more closely. For example, the average Indians do not have such purchasing power today that they can engage in repeat purchases of durables on account of fast obsolescence. There is as much, if not more, market for second hand purchases as for the newly manufactured ones, even for low value items. For example, people are not able to replace even cycle or TV every fifth or tenth year. There is as much market for refills as that of the ball point pens. Perhaps it is not undesirable also, at the present level of economy. But, it leads to managerial task and strategies different from those of developed countries. For example, if it was realised that a car may be used for 25-30 years by one person, rather than be replaced every fifth year, and it was being designed here, high durability and cheap but effective maintenance would have been key design features and the organised sector could have assumed the charge of maintenance, rather than leaving it to the unorganised sector. The failure to take care of it in design of product or after sales service leads to increased air pollution.

The ready availability of products not designed here but elsewhere leads to problems that are concern of no one. For example, the firms try to increase manufacture of cars, but it hardly seems to occur to management as to is the how level of congestion increasing on every road. The pollution caused on account of slow movement of increased number of cars and other individual transports, is left to be bothered by agencies primarily responsible for maintaining the law and order. The ailment is, given the manufacturing plant, what lee-way a firm has to design alternate products to take care of product features.

1.5.3 Low Level of "Total Managerial" Competencies

The import of technology, thus, has implied the use of sales rather than marketing concept, with two significant Ps of marketing, namely the product design and price, going out of managerial purview at the firm level. They get determined by technology imported. Indeed, at times even the after- sales service, which is a significant part of another P (physical distribution), also gets determined in terms of technology. We do not seem

to know what all it means to manage the embryonic stage of the product life cycle. These happen to be key elements of marketing. In terms of marketing function as a whole, the task is, thus, reduced primarily to arranging physical distribution.

The design department role is reduced by and large to finding substitute raw material, trouble shooting, handling shop problems or making minor adjustments in the product features here and there. The engineers, therefore, do not get any excitement in being in design department and look for other pastures.

With a good part of risk bearing and challenge posing managerial responsibilities associated with managing new product (and dropping obsolete ones) out of the way, there is no pressure to acquire and develop key managerial skills.

Thus, be it a multinational company or a domestic company, the technical requirements to be managed here are mostly knowing how to manufacture the same product with the same technology year after year, not learning to adjust to frequent changes. Same is the case with marketing management - learning the distribution of a given product only. The human resource development is also not critical. With few factors to worry about there is little pressure for efficient and effective management. There is not much pressure to sharpen managerial skills to save the organisation from being sick. The performance appraisal system is, thus, often not as sound, especially for evaluating managerial competencies. The role of strategist, the shaper of destiny of organisation is not appreciated. For lack of competitive pressure, the management concepts have become more of fads than of practical utility in many organisations.

1.5.4 Loss of Purchasing Power

With import of product technology there is a loss of a number of activities connected with new product development. The employment levels are therefore, lower, leading to loss of purchasing power and hence the economic development of the country. Import of product technology thus, deprives the country of opportunities for increasing employment levels.

1.5.5 Loss of Strategic Leadership

With the view of managing several loose ends gone, (if the entire gamut of activities associated with new products development manufacture and sales were to be undertaken) the demands of integrative skills, strategic

management and strategic leadership are at low key; neither one seems to be sure whether and how strategic leaders can be groomed. For want of strategic leadership, the organisational decision making becomes disjointed and more political, loses focus on mission and objectives (the final performance measures of an organisation's effectiveness and efficiency) and consequential loss of overall performance. The projects over run in terms of time and cost, but the situation is seen helplessly. Long range action planning is either not done or not done adequately, which leads to loss of means of control in strategy implementation.

1.5.6 Loss of Concept of Earning

The development of new product and making a success of it involves hard work and at the end of it, if the person is rewarded, he get a feeling of having earned it. With the loss of "hardwork" involved in seeing the product through, there is a loss of concept of "earning the rewards". Rewards are now increasingly being claimed rather than earned. The appraisee at times assumes the role of appraiser. With emergence of demand based reward system rather than earning rewards, the expectations soar high and the inter-layer competence and respect gaps reduce. This leads to high cost and low quality of products on the one hand and loss of industrial discipline, increase in inter-personal conflicts on the other. The pre and post employment behaviours are markedly different. Reward systems are losing their effectiveness.

1.5.7 Increased Demand of Funds for Projects

Reverting to the discussion on external debts it would be noted that a significant percentage of external debt is on account of government borrowing (see table 2). The details of the purpose are not easily available; but a significant portion of that is in form of government borrowing (roughly 43% of total debt and 45% of total long term debt). These borrowing are more to fund developmental projects. A good percentage of that is taken away by way of supply of technology, equipment and foreign consultants fee, simply because the country did not have either the technical expertise available domestically for the project or the money required to do so. But this does not pain as much as some other features of the development project formulation. The governmental agencies and local consultants while preparing the project reports often don't take care to keep the cost of projects low. The objectives like cost reduction etc. seem to have lost relevance. For one, it is done because of the concern to play safe. Often it is also done because of the personal interests involved. The consultants, now even Indians often jack up the fee, expenses and other

costs, simply because the project was being funded by external agencies. Little do they realise the extra cushion they create for themselves has to be paid ultimately by their own fellow countrymen, sooner or later, along with interest and it has to be paid back in a foreign currency, which would not be earned even if the project becomes a success by serving the domestic population. Since the interest of concerned persons involved in decision making is not as much with what benefits other countrymen get, but more with how much they are going to benefit themselves out of it, the effectiveness of project formulation, cost estimations, project execution, monitoring and control is not the focus of action. Clean Ganga project money is spent, Ganga remains as it was. The country got additional debt liability, without commensurate benefits, even in Indian rupees. If the country had its own expertise, the project could be executed well at far lesser cost and correspondingly lower external debt.

1.6 Becoming a Global Player: The Tasks Involved

We now revert to original issues under our consideration; should India aim at becoming Global Player or allow it to become global market only. The external debt pattern make sthe issue of need for aiming at becoming global player a national imperative. India has not only to generate surplus at higher rates to arrest the increasing external debt burden, but also has to "earn" precious foreign exchange rather than being contented with sizable foreign exchange reserves currently which may dry up soon on account of debt service payment itself and evaporate if the investors' confidence is not maintained by surplus generation through efficient operation, the signs of which are available already (9).

The exports alone may not be enough to balance foreign exchange requirements of imports itself, leave alone meeting requirements of foreign exchange to allow repatriation of share of foreign investors and repayment of borrowings to fund developmental projects (which won't generate foreign exchange any way). This means that India has to become a global player to be able to earn necessary foreign exchange through international operations; a task not easy for domestic companies, who are accustomed to serving well protected large domestic market. Many do not have strength to compete multinationals in even domestic market.

The liberalisation measures, including reducing entry barriers to foreign companies and reduction in tariff and non tariff protection given to domestic companies earlier (both in public and private sectors), may put

pressure on domestic companies to shrug off their fat to survive and compete. They may or may not be able to sustain it. If they don't, it will surely make India a global market with consequences of colonial period. Even if these measures succeed, they do not seem to be adequate to be able to compete globally, which is a totally different cup of tea. It would require radical changes in the firms' approaches so far. For one, let us not forget that becoming a global player requires the capacity to give something new, availability of investible surplus and courage to fight battles in the lions' dens, on each of the front, India does not have very comfortable position.

Does it mean that there should be an abrupt change. No, we do not need to shun everything we are doing today; but changes, that too strategic ones can't take place without changing radically. It is a tough job, but has to be started someday, sooner than later.

If the discussion so far paints a dismal picture, it is not to condemn the onerous efforts of the countrymen, in different spheres of economic and non-economic activities. It is only to draw attention to those issues, which must concern us, and to the approaches which do not seem to be adequate to meet the challenge the country faces and unlikely to face in the years to come. After all, to achieve the macro level objectives, the macro level decision makers have to bank on micro-level agencies, the individuals, industrial organisations and other governmental and non-governmental agencies. The "delivery system" for the country is only such micro-organisations. Is their behaviour in line with the requirements of macro-level objectives? Do the macro level objectives get achieved when the micro level organisation optimise their objectives? Are they even aware of macro issues and their own inadequacies to meet them? To what extent they are prepared and committed to such national concerns? What support they need from others, e.g., the educational system? What additional tasks and radical shifts in approaches are necessary to bridge the gap? These are some issues which need to be closely examined. In the following paragraphs some broad directional suggestions are discussed.

1.6.1 Generating Mass Awareness

If the national issues are to be made concern of the masses and the micro level decision makers, it is necessary to develop a national consciousness about such issues. The issue of national debt and foreign exchange has to be put in proper perspective. The industry and the government must realise that they have a dual role to play. Not only do they have to arrange for the supply of products and services and create infrastructure for the same, they have also to think and find out ways and means to repay the debt (and earn

foreign exchange for the same) which the country incurs while doing the former. Not many people at present seem even prepared to treat this as a serious issue requiring attention. Many of those who believe that it was a problem, do not seem to be convinced that any urgent or special action is required. "Most countries of the world, even USA have these problems. These are transitory phenomena. India has been facing the problem since independence, including 1991 crisis, and came out of it", is a kind of response to situation. But these statements reflect more of refrain from admitting the gravity of the situation, and lack of realisation that things may go from bad to worse, if planned conscious action are not taken timely. It also reflects lack of appreciation that the task of arresting adverse trends will become tougher and tougher as the days pass and may soon go out of control, at the cost of pride and sovereignty of the country. The comparison with other countries is too simplistic a view, because the basic causes underlying the problems and the capacity of the country to face the same may be at variance with those of India.

1.6.2 Developing Ability to Create

One of the important task that the country faces is to develop the ability to create new things. It is not easy to do so, given the fact that the technology import (and indigenisation efforts) lead to formation of mind sets which is not conducive for new product development. New product development requires divergent thinking, radical departures from existing concepts underlying the product or service, to meet the needs of the society. It requires that basic premises about the raw material and other natural endowments be changed. It requires different concern regarding quality, from achieving to surpassing. It requires empathising with the people in society to design product that will sell.

All this requires development of entrepreneurs. The current approaches to entrepreneurship development, however, are directed more to make them appendage to the organised sector rather than thriving on their own. These seem to be inadequate to the task demands. Some additional measures for entrepreneurship development are imperative to foster new product development activity.

1.6.3 Increasing Richness in Education

As mentioned in an earlier section, the increased import of technology has, reduced the challenges to technical and management education system. The education is therefore fast losing richness to facilitate cost effective product development using local endowments. It has gradually aligned

more to help only the manufacture of product designed elsewhere with imported technology and their distribution. It is then duly supported with even literature developed abroad to perpetuate the mind set. Little efforts are made to develop radically different approaches to product design manufacturing and selling, best suited for societal context of India. The research and teaching is, thus, becoming more of citation of what is good and works elsewhere, rather than invigorating new ideas. The theoretical abstractions are increasingly based upon the assumptions of "what worked in another developed country would work here", and are often devoid of the underlying societal factors responsible for the same. They lack empirical validation from the fields. The approach is pre-renaissance kind that used to shun experimental validation. Education is losing touch with the society it is serving. The education and educationists seem to be moving away from practice and play the role of guide. Like product manufactured by import of product technology, the education seems to be moving on the path of teaching for what literature is available from elsewhere through import. It is not based upon what may click in this society. Even success experiences of domestic origin are not captured to share with others.

The repeated import of technology, thus, does not allow the development of technical and managerial competencies required for new product development. The government had established institution of higher learning to develop these competence. However, with the soft options of the manufacturing product to feed the market, the industry never exerted on the educational system to do the same.

This calls for national educational reforms, not only at primary levels, but also, and perhaps more so, at the higher educational levels. It should aim at fostering capacity to think afresh and differently to visualise new things, to create new concepts, to enhance visualisation of resources, to identify new opportunities, to identify the needs of society. The education system must aim at enhancing observation capacity and persistence for problem solving. It must aim at developing collaborative skills, altruism and impress upon the craftsmanship, and the love and respect for physical labour. There seems to be a need of establishing new educational outfits for new product development, which develop product concepts that are expandable to other countries.

Funding of such institution may be done on the lines of funding of terminal benefits. Each employer must contribute to new product development. The technical institutions, must be encouraged to introduce new product development in their curriculum and management institutions should introduce corresponding inputs for managing new products. Scientific,

technical, agricultural research institutions must develop linkages with masses and secondary schools for facilitating the process.

1.6.4 Fostering Adventurism

Being global player involves challenge of facing an alien environment, which is so different from domestic business environment and involves, indeed increases, the risk of failure as the basic premises of working are different. It would be interesting to note that international trade had been an important part of economic activity in India, right from early civilisations, more than two thousand years ago. Indian items were highly appreciated abroad. But, by and large the trade was being done by merchants from other countries, who brought items of their country, sold here, purchased Indian specialties and sold them in their country. Until recently, Indians were rarely involved in physical activity of navigating themselves. The European merchants did a lot of such adventurous activities.

In the present day context, the spirit of adventurism is of immense value. Becoming global player involves adventure, living in alien conditions, adjusting to uncertainties and doing it fast and successfully. If India has to become a global player, this barrier, which is built by socio-cultural practices, has to be overcome. New approaches and strategies have to be thought through and inculcated right from early childhood to executive positions. It would not be surprising to note that major efforts of earning foreign exchange at present are concentrated on exports route, which is least risky. It has, however, to change as it is inadequate to the task.

1.6.5 Generating Investible Surplus

With import of technology led loss of product design and development capacity, there are fewer factors at command for making cost effective products and generate surplus. Cost reduction is possible only when design parameters are within firm's control. It is not so much possible to reduce cost with imported technology and since import of technology is justified to meet the growing demands, the cost reduction is no more a significant managerial consideration as objective. Serious analyses of micro level behaviour of firm are called for to understand lack or otherwise of even concern for generating investible surplus. A comparative analysis may reveal differences in key premises of the enterprise management.

Talking of generating surplus in an economy laden with incessant deficits may look to be an absurd preposition at the first instance. But a little deeper probe will reveal that it is really not so. India is a country that is unfortunately facing shortage of resources in a situation of plenty. The problem is not so much with shortage of resources as with wrong and wasteful use of resources. This happens in several ways. For example sometimes it is in the form of overestimating of project costs. Once approved, the cushion is used away by the greedy persons involved in the execution of projects. Sometimes there is underestimation of project costs. As a result the project gets stuck as the funds flow are not as much as actually required and in time. The projects also get stuck when several projects are started with money not available for all of them, leading to each one of the projects getting stuck. The projects also get stuck due to designs details not agreed before hand and subsequent disagreements at every stage of detailing. All this results in project cost and time over run. This often leads to slashing of project scope on the one hand and increased cost of project on the other. Thus, all the concerned parties, the architects, the consultants, the builders etc. get their dues, without doing the project as per original scope. At times this is done deliberately. Thus, for a partial output, the resources sunk are many times more than required for completing the whole project, leading to waste of resources.

The project overruns do not create resource crunch by cost overruns alone. It does so as much, and often several times more damage, on account of revenue loss caused by time overrun, which is not only a straight revenue loss, but has compounding effect especially in case of infrastructure projects' like power projects. For example, a day's delay in completing a 500 MW power project deprives the generating company approximately Rs. 120 lakhs per day @ Rs. 1 per unit. A month's overrun would mean a loss of Rs. 36 crores. This is only direct loss. If one considers that it means several industries could not get power and hence the country could not produce a product or service, it may be several thousand crores loss, while costs are incurred. The same holds true for losses arising out of breakdown maintenance when the loss incurred are several times the normal cost of maintenance.

The third kind of waste of resources occurs in a very interesting manner. The resources are sunk in an increasing order for the same level of activity. The funds will be asked for in the name of increasing the level of activities. Subsequently the level of activities will not be increased, but resources (building, manpower etc.) asked for infrastructure will be used up to give more benefits. The cycle repeats several times. Thus, after a few years a particular level of activity would be carried out at substantially increased

costs. If activities and resource commitment in physical and financial terms (discounted for inflation) is compared for the initial and 10 years later period, one would be surprised to see how the substantially high level of resources have been sunk for same level of activity.

The fourth way of wasting resources is by way of inappropriate personnel policies and organizational arrangements. An increment is normally given at the end of the year as a matter of right or entitlement, not because of rise in efficiency on account of learning curve. Over a period of 5 years a person's salary gets almost doubled. The price is thus doubled. Automatic rise in price on account of rise in inflation may be tolerated in domestic market but not in the international market, as the main competitors there contain the costs by increasing the efficiency. Further, a compulsory increment definitely means increase in resource commitment for same level of activity.

Another issue which need to be highlighted here and which is responsible for wrong and higher levels of resource use, is one related to management of human resources. The performance appraisal systems in use are rarely able to appraise true potential. People are cast like square pegs in round holes. Rarely superiors bother about what more the subordinates could do beyond what they were asked to do. Even if the subordinate ask permission to do new things, they are snubbed by superiors who became superiors without doing anything new themselves, by curbing new initiatives elsewhere in the organisation. We need organizational arrangements for fostering new initiatives at all levels, to be able to identify "hidden" resources in the organisations. It requires a lot of opportunity for experimentation. Newer approaches in terms of policies, structure and processes are required for the purpose.

The additional resources that are sunk have to be released from inefficient use to have investible surplus. Some of them may not be under the jurisdiction of micro decisions makers, but many of them are. If India has to become global player, conscious efforts have to be made in this direction.

1.6.7 Undertaking Micro Studies

Preparing for becoming a global player is not an easy task. It would require a number of steps as mentioned above. Equally important will be analytical support for building the confidence and meeting the task requirements. Large scale, intensive micro level research efforts would be required. These will include studies identifying the strategies that lead Indian companies to successful performance in international markets and those

which do not. It will help in identifying new approaches that Indian multinationals may have to follow which may be different from those followed by the global players from developed countries. India may have to follow radically different approaches, while dealing with the developing countries and the developed countries.

The other kind of studies required will be regarding the environmental conditions in various countries; the consumers needs, natural endowments of the countries industry structures, major players (their concerns, expectation, attitude in having business partnership in India), the work culture, financial resource availability etc. These research studies may be collaborative, on going, which will require collaboration among academic and educational institutions.

Intensive micro level research efforts are also necessary on the wrong use of resources by organisations. At present one does not have any idea of magnitude and spread of this malady and the rate at which this is increasing. Indeed, there is dearth of empirical studies on almost every aspect of micro level behaviour of firms and other "delivery" organisation in every sphere of economic and non-economic activities.

There is also a need for intensive work on technology import and assimilation; the level, nature and type of technology imports, the cost effectiveness, the desirability (in terms of cost and benefits to society at large), the patterns by organisations (importer, exporter), the experiences by country, the long term social consequences and associated challenges to offset the undesirable ones. It will help in identifying the policy guidelines for allowing technology import in a rational manner without aggravating the country's foreign exchange or external debt position.

Serious research efforts would also be required to help the organisations to identify their strengths to become global player. As of now, the micro organisation do not have any assistance of this type.

Research efforts also need to be focussed on innovations in organisations: the level, the organisation practices in vogue; the systemic, procedural and other barriers to innovation.

1.7 Conclusions

India's external debt has been rising ever since independence 50 years ago. The debt service ratio has also been rising and touched a peak of approximately 35%. The country also has been facing foreign exchange

crisis on account of above and increasing imports burden. The two make India a disadvantaged player in international trade. Export alone are not able to meet the increasing demands of foreign exchange. It requires India to earn foreign exchange by becoming a global player. Foreign investments inspired inflows, which have provided a temporary respite to foreign exchange crisis, may not be a lasting solution, if necessary structural changes are not undertaken to make India a global player. The investment may dry up soon if the investments do not fetch expected returns. If they are successful they may generate additional demand for foreign exchange. The structural changes undertaken so far do not seem to be adequate to make India a truly global player. Indeed, they may lead to India becoming a global market instead.

The paper suggests need for major changes in the present approach. It identifies the barriers to India's becoming a global player and suggest several action strategies.

1.8 References

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