Enhancing India's Competitiveness in the Global Scenario

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> *A new kind of global company is on the rise: diversified multinationals from emerging markets. Under Ratan Tata, the business group that bears his name has transformed itself from an Indian giant into a global powerhouse*. (*Economist*, 3 March 2011)

Organizations in emerging economies are gaining greater relevance in the global economy and they exert a significant influence on organizations from developed economies (Khanna & Palepu, 2006). Resource accumulation process and resource bundling in these organizations are different when compared to the organizations from developed economies (Gaur & Kumar, 2009). Furthermore, there are major variations in the governance systems, infrastructural support, financial systems, sociocultural factors, political systems and legal systems between the developed and emerging markets. Hence there is a need to study the emerging market firms using a different set of lenses. India has made significant economic progress after the opening up of its economy in the early 1990s. However, it still has a long way to go in order to alleviate poverty completely. It has been predicted that India is likely to grow at a much faster pace in the next 15 years. It could even surpass China in terms of growth. India is likely to become one of the largest suppliers of highly talented and mobile workforce in the coming years (Panagariya, 2011). The economic indicators suggest that India could become one of the major drivers of world economy in the coming years. In this context, we decided to bring out a special issue of *IIM Kozhikode Society and Management Review* for highlighting the management issues which are relevant to India's economic growth.

While our knowledge and understanding of emerging market multinationals (Ramamurti & Singh, 2009) has significantly improved over the last decade, research of this phenomena is conspicuously absent. This is surprising given the important role that Indian firms play in the socio-economic landscape of emerging markets (Khanna & Yafeh, 2007) and the rapid pace with which such multinationals internationalize (Guillén & Garcia-Canal, 2012; Luo & Tung, 2007) and have become globally competitive. This has created a gap between the literatures on internationalization of emerging market firms, addressing which is the broad research agenda of this issue.

There are commonalities in the pattern of economic growth in countries like South Korea, Taiwan and China. During the evolution of these countries, the GDP share of agriculture has been declining and the share of the industry especially labour-intensive manufacturing has been increasing. However, in the case of India even though the GDP share of agriculture has been declining, the share of manufacturing industry has not been increasing. It is the services industry which has been able to gain a major share. A huge chunk of the workforce in India is dependent on agriculture. If the manufacturing industry is growing well, it could provide employment to a large number of labourers which could lead to faster alleviation of poverty (Panagariya, 2011).

A manufacturing system transforms inputs which are in the form of raw materials and produces economic goods as outputs (Geisler & Drago, 1996). Real wealth is created through manufacturing activities and hence manufacturing industries are the key to the sustenance and growth of a national economy (Ahluwalia, 1991). While manufacturing sector in India accounts for only 17 per cent of the GDP, its contribution in China and South-east Asian countries is about 25 to 35 per cent of the GDPs (Mitra & Ural, 2008). Most of the foreign direct investment (FDI) to India is in the services sector. India needs to attract a huge amount of FDI in the manufacturing sector in order to give a boost to its economy. By following the best practices in manufacturing management systems which include simplification of production processes and materials flow, Indian firms have been able to gain a competitive edge over other firms at the global level in many areas (Saji, 2011). India's policy-makers and industrialists have realized the importance of developing a competitive advantage for the Indian manufacturing industry at the global level. Some of the Indian pharmaceutical companies like Ranbaxy, Dr Reddy's, Lupin and Nicholas Piramal were established initially as low-cost suppliers. However, these companies have invested heavily in building innovative capabilities and as a result of that they have been able to gain a competitive advantage at the global level. This is a good example of the evolution of Indian manufacturing industry. Pre-manufacturing and post-manufacturing processes are gaining greater significance than manufacturing itself and Indian manufacturing is moving slowly towards mass-customisation (Saji, 2011).

As pointed out earlier, services sector in India has been able to grow consistently over the years. India's biggest outsourcing firms continue to remain fast-growing businesses. These firms have moved beyond the call centre business model and have started focussing on providing more sophisticated services to their clients. They have shifted their attention to areas like research, design, consultancy services and cloud computing (Watkins & Fontanella-Khan, 2011). Major outsourcing companies in India like Infosys, TCS and Wipro earn majority of their revenues from developed markets; for example, Infosys earns about 64 per cent of their revenue in the United States compared with just 2 per cent in India. While majority of the workforce of the outsourcing companies still remain in India, many of these firms have significantly increased their manpower abroad. While manufacturing innovations initiated by Japan, South-east Asia and China have resulted in providing first-class consumer products at affordable prices to millions of people; Indian service industries have been able to use cutting-edge technology to provide services to the masses at affordable prices (Mohan, 2013).

India's long-term economic sustainability and growth are possible only by strengthening its manufacturing industry. Manufacturing industry could provide employment to the masses and as a consequence poverty alleviation process would get accelerated. However, the services industry in India needs to ensure that its competitive advantage does not get eroded as a result of increasing competition from firms belonging to other emerging markets. This could be possible only by giving major emphasis to innovative practices in the design and delivery of services. In this issue, we try to present some cutting-edge research which provides concrete guidelines for enhancing India's competitiveness in the global scenario.

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