

DRAFT MATERIAL

“Enhancing Business Competency Under Emerging Global Environment”

Introduction

I am indeed happy to be in your midst today to share my views on the subject “Enhancing Business Competency Under Emerging Global Environment”. Considering the profound changes that are rapidly sweeping the global economic environment, the theme of this lecture is very apt and timely. **(Other relevant introductory remarks to be added here)**.....

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Emerging Global Economic Environment

Global economic environment is rapidly evolving and in today's complex and dynamic world, the only constant factor is change. The process of liberalization has been rapidly transforming what were once closed markets.

We are today progressively becoming part of the global market and the world's largest corporations are now eyeing Indian markets, changing the nature and character of competition. Tariff barriers are being lowered to stimulate trade. In each business segment, a strong grasp of consumer needs, continuous innovation in building brands, use of appropriate product and process design and technology would influence success. This calls for substantial investments in capital and technical expertise. As has been the case with a number of emerging economies, the business environment in India is also being rapidly transforming. Globalization, technology, and communication channels present new opportunities for international commerce to Indian corporations. Over the next two decades, bulk of the global economy's growth is expected to take place in emerging economies like India. Hence, understanding the unique dimensions of emerging economies is critical to success of our business enterprises in international markets.

Two key changes in the global economy's functioning are initiation of a wide variety of reforms by developing countries and higher levels of private capital investment flows

to these economies. With established markets becoming saturated, multinational corporations (MNCs) are turning increasingly to emerging markets (EMs) like India in the developing world. The pursuit of low-income markets in emerging economies represents an important new future direction in our quest for widening market shares. This creates both tremendous opportunities and unique challenges to developing countries including India. In such rapidly evolving global economic environment, the future belongs to only those business enterprises that can identify quickly and seize opportunities inherent in this change. Gradually, the domestic business environment is evolving into an economic setting that is akin to markets in advanced countries. Thus, emerging global economic environment is characterized by three important features viz., intensification of competition, rapid technological progress and wider aspirations of the consumers. Therefore, the time is apposite for the business community to develop strategies that overcome the current weaknesses and gear up to face the daunting challenges posed by the transformation in internal and external economic environment.

Emerging Challenges in the Changed Economic Environment

Successful conduct of business in the changed economic setting is fraught with a variety of challenges that are needed to be addressed expeditiously. These challenges need to be clearly understood and appropriate defenses, be developed.

Improving competitiveness

India's simultaneous movement towards a market economy and liberalization on the external front has multiplied manifold the challenges to the competitiveness of Indian enterprises. In the changed economic environment, there is a need for accelerating reforms within a business enterprise with the objective of creating a climate that makes the investment more productive and the business unit is domestically and internationally competitive. Therefore, the single key priority for Indian enterprises is to rapidly reposition themselves for extreme competitive preparedness without any further delay. The direction of flow of trade, under severe competition, would depend upon the relative competitiveness of Indian enterprises.

The task of transitioning businesses from a relatively protected environment to the rigours of a globalised market requires upgradation of capabilities to international standards. This implies a major change in mindset, backed by substantial investments in modernization, scaling up and skills upgradation. Such strategic investments would naturally entail gestation drags that would severely test managements for their staying power and commitment to their businesses. Business portfolios will, therefore, need to be rationalized and restructured for focused attention so that the deployment of scarce resources is confined to those areas that best match organizational capability with market opportunity.

Challenges posed by information technology

The explosion in the use of information technology is further facilitating the process of globalization by erasing geographical and political boundaries. The emerging economic world order is unfolding a host of new opportunities and intimidating threats. Even as Internet based electronic commerce has opened up enormous opportunities for the relatively smaller Indian enterprises by facilitating instant

access to the developed markets of the world, simultaneously, it is creating opportunities for global players to access the Indian market, therefore, exposing us to global competition.

Changing consumer preferences

A key challenge for consumers and the business enterprises today is the availability of multiple brands to choose from. The consumer landscape is changing very fast. There is no doubt that consumer today demands a better quality of products, which is what the brands developed and marketed, needs to help realize. Both in rural and in urban India, consumers are now being exposed to and are trying a wide variety of consumer durables and non-durables, which were once considered as luxury items. Business enterprises or expected to meet the ever changing and ever increasing consumer preferences to stay in the business.

Need to maintain highest standards in delivery

With increased competition for a share in the consumer's purchasing power in today's market environment, driving business growth requires a much higher level of resource in all strategic areas, be it technology, media

spending or human resources development. It is not enough for the business to provide just a product or service; it must provide better product and most efficient service. Though it is necessary for a business to grow bigger; it is equally and more importantly necessary that it constantly grows better.

Effective communication with consumers

Another key challenge for companies is effectively communicating with consumers. Many urban consumers are now exposed to a multitude of media options like television, newspapers, magazines, hoardings and Internet, which are all striving for the consumers' attention. The accessibility of communications network was creating a worldwide sense of entitlement to western consumer goods, which are hitherto inaccessible. Technology and trade liberalization are not only altering consumer preferences drastically but also creating an array of new preferences. These factors expect that business houses should be able to effectively communicate with consumers and mould the consumer aspirations.

Implications of new Global Trade Agreements

The WTO schedule for trade reforms is a challenging and compelling agenda for Indian industry. It is in this context there is an imperative need for the Indian business houses to rapidly restructure and relocate their operations in their preparedness to face competition and phase their transition from an era of regulation and protection to the fully globalised market successfully. Maintaining superior competitive capability can alone guarantee sustainable growth and profitability of business houses. As we know, trade liberalization under the WTO is designed to shrink trade barriers, thereby fast globalising the Indian market and progressively intensifying the global forces of competition. Each business house needs to make a SWOT analysis to evaluate their existing capabilities and make a realistic assessment of required capabilities to face the onslaught of the competition.

Effective use of knowledge about the local markets

The large corporations entering the Indian market are able to take long-term investment views, because they can take care of the overall business objectives through their operations in other markets. In comparison, as of now, Indian business houses do not enjoy such an advantage. To succeed under such circumstances, Indian business houses need to learn to leverage their intimate knowledge of local markets and consumers, by creatively segmenting the market and differentiating their brands, while at the same time matching their international rivals in the cost of operations. This is not an easy exercise.

Smooth transition to a globalised business environment

In the globalized setting, the need to strengthening and upgrading the structure of the business enterprise through appropriate restructuring is critical. There is a compelling need to rapidly reposition Indian companies through mergers and acquisitions to reap the benefits of synergy and support their successful transition from an era of domestic existence and protection to the fully integrated world market.

Better interaction with the Government and regulatory agencies

There is also need for a much closer partnership with the government and regulatory agencies in the emerging setting to create a mutually supportive economic environment. Mutual trust and cooperation would go a long way in enabling the Indian companies to multiply their 'intrinsic' strength.

In sum, to face the multitude of challenges that the business enterprises confront today, they need to evolve and nurture an integrated commercial policy that enhances the 'business competency'. Those who fail to recognize and overcome these challenges through appropriate enhancement of business competency would be driven out of the market and succumb to the severity of competitive pressures, while those who succeed would reap deservedly handsome rewards. An appropriate balance will have to be struck between the short, medium and long-term objectives of the business houses.

Strategies for Enhancing Business Competency in the Changed Context

The challenge of attaining truly global dimensions by an average Indian business enterprise is overwhelming, though, stimulating

and thrilling. To address the multifarious challenges in the new economic order, the business enterprises need to evolve new strategies and drastically improve their 'business competencies'. The ability of an enterprise to thrive in a challenging environment over time is crucially dependent upon its ability to continuously upgrade competitive capability, in the context of the increasingly globalising marketplace. As stated earlier, the major challenge in the new environment is becoming globally competitive. Besides, the business houses need to cope with increased consumer aspirations and rapid technological changes. In order to enhancing the competitiveness of business enterprises, blending of information technology and business competencies is critical to improving the productivity significantly. Therefore, business entities need to endeavour continuously to explore opportunities for growth by synergising and blending their core business competencies to create new centers of growth.

As averred earlier, in the changed context, the business houses need to enhance their business competencies. Enhanced business competencies help both business leaders and

organizations to improve their performance and deliver results. Since competencies can be communicated, they can be taught, learned, measured and monitored. The word 'business competency' is a generic term that includes a variety of talents to cope with complex business situations like general competencies, technical competencies, intellectual competencies and interpersonal competencies.

Enhancing Business Competencies

General business competencies that need strengthening in the changed business environment are understanding how adults learn and how they use knowledge, skills, and attitudes; comparing actual and ideal performance levels in the workplace; identifying opportunities and strategies for improving performance; helping people adapt to the changes brought on by new technologies and helping them to see the value and benefits of new technologies; leading, influencing, and coaching others to help them achieve desired results; understanding the current and future climate of one's company's industry and formulating strategies that respond to that climate; effectively interacting with others in order to produce meaningful outcomes; helping

clients and stakeholders to question the company's assumptions and clarifying; determine their needs and plan implementation strategies for achieving their goals; demonstrating awareness of business functions and how business decisions affect financial and non-financial work results; and negotiating, organizing, preparing, monitoring, and evaluating work performed by vendors and consultants. Other related competencies that require upgradation in the new economic environment are project management skills like assessing, planning, negotiating, organizing, monitoring, and evaluating the delivery process; and applying effective verbal, nonverbal, and written communication methods to achieve desired results. Similarly, improving commercial competencies involve undertaking cost-benefit analysis, understanding the relative costs of each processing method or combination of methods and making sure that the organization is receiving a good value for the money spent on various technologies.

Enhancing core business competencies assumes a through awareness about the concerned industry. The **industry awareness** assists the business leader to understand the vision, strategy, goals, and culture of an

industry; links management interventions to organizational goals; leadership skills to know how to lead or influence others positively to achieve positive work results. Technological competencies include awareness and understanding to use existing or new technology and different types of software and hardware; understanding performance support systems and application of problem-solving skills to detect performance gaps and helping other people to discover ways to close the performance gaps in the present and future; and recognition of the implications of management interventions on various operations of an organization.

Intellectual Competencies that need improvement in the new environment are intellectual versatility in recognizing, exploring, and using a broad range of ideas and practices; thinking logically and creatively without influence from personal bias; information search skill that helps in gathering information from recorded sources; identifying and using information specialists; observing skills, which helps in recognizing objectively what is happening in and across situations, drawing conclusions from data, model building skills that improves skills in conceptualizing and

developing theoretical and practical frameworks that describe complex ideas in understandable, and self-knowledge of knowing one's personal values, needs, interests, style, and competencies and their effects on others.

Interpersonal competencies consist of proper communication of information, opinions, observations and conclusions so that they are understood and can be acted on; presentation skills for presenting information orally and written so that an intended purpose is achieved; relationship building skills to establishing relationships and networks across a broad range of people and groups; and group processing skill for influencing groups so that tasks, relationships, and individual needs are addressed.

Enhancement of **technology-related competencies** involves determining when, how, and where technologies should be used and monitoring the progress of all the other technology-related roles in the delivery process. Skills and knowledge that make up this competency include technology evaluation skills, benchmarking skills and knowledge of anticipating changes in organizational needs of the technology and helping people adapt to the

changes brought on by new technologies and helping them to see the value and benefits of new technologies.

On the whole, business competencies broadly consist of sound understanding of how the functions of a business work and ability to relate various functions to each other; knowing the economic impact of business decisions; proper assimilation of the impact of technology on the business; understanding the consumer choices and expectations; understanding the organization from various perspectives; constant cost-benefit analysis to assessing alternatives in terms of their financial and strategic advantages; project management competencies to plan, organize, and monitor the work; and knowledge of employees and organizational behaviour. Conceiving organization as a dynamic, economic, and social system that have multiple goals and using such larger perspective as a framework for understanding and influencing events is critical in the new environment.

The list of competencies enumerated above might be long, but by no means this is an exhaustive list. The competencies need to be changed and fortified keeping in view the

dynamic evolving situation. Unless the business leaders rigorously practice the skills and enhance their business competencies, it would be arduous to survive the onslaught of fierce competition, cope with technological change and meet the consumer preferences.

Business Imperatives in an Emerging Economy

While constantly endeavouring to enhance the business competencies, the business enterprises need, simultaneously, to concentrate on a number of imperatives in the changed context.

Marshalling knowledge and thrust on Research and development

Pooling business related knowledge in the new economy is becoming an important strategy for businesses not only to improve products and services but also to enhance productivity and efficiency. Translation of the acquired knowledge into enhancing capabilities of the business is of practical significance. The application of knowledge is fast becoming a new factor of production. Sustained investment in Research and development and strong commitment to innovation can increase

productivity and, therefore, should be a key component in India's economic growth and competitiveness. Indian companies should not only be able to generate new and improved products and services but also set new international standards in global markets. Investment in technology is vital to improve competitiveness and productivity. This translates into higher rewards, better incomes and higher standards of living.

Restructuring of operations and process re-engineering

The necessity of catalyzing and channelising investments towards upgradation of human capital, expansion and modernization of infrastructure and productivity enhancement in business houses, cannot be overemphasized. The basis for undertaking an economic activity lies in the perception of a favourable risk reward outcome of investment opportunities. Therefore, in order to mobilize investments, it is critical to preserve investor confidence. The restructuring process, therefore, needs to focus on adapting best practices, commensurate with the required pace of transition toward a market economy and the extent of globalization. An appropriate and effective restructuring and

process re-engineering is necessary for orderly growth of the business enterprise and transition towards a global economy.

Ability to foresee the future

As stated earlier, strategies are needed to be put in place for inculcating internationally benchmarked operating standards, adopting popular marketing orientation and capitalizing on our knowledge about the Indian market due to proximity to the Indian consumer are all hallmarks of a successful business house. Consumer loyalty flows from the speed and efficiency with which an organization adapts and innovates in satisfying his/her needs. Competitive advantage therefore is derived from anticipating the future and encouraging strategic thinking capabilities in the organization.

Need to practice rigorous cost control measures

To provide the business enterprise a cutting edge in the fiercely competitive world, we need to provide major strategic thrust in various areas of operations. The business enterprise needs to grow the business by focusing their resources beyond their existing

products and brands by concentrating on core competencies. They need to jettison all inefficient operations and explore growth opportunities in new channels. The business entities should continue to reduce their total system cost, by deriving scale and efficiency benefits, by exercising tight control on overheads including corporate center costs. Besides, they need to build a pro-active, flexible and fast moving organization culture. Businesses need to align their strategies, operations, competencies and resources to create sustainable value by managing value creation.

Strategic management practices

Business houses need to manage their commercial strategy to build on their existing capabilities, as well as recognizing the competitive factors in the market and defining and prioritizing processes for radical change. Continuous performance measurement is an essential factor in improving business performance in a sustainable way. Companies need to effectively manage team performance. There are potential benefits of using integrated performance measurement systems for managing and improving team performance and

presents a practical approach to facilitate the development of team-based measurement systems. A viable strategy deployment process needs to be put in place and the required tools and techniques may be provided to the employees, which may enable them to succeed. The structured approach to continuous improvement, business process management and performance measurement would result in considerable improvements within the business, in terms of cost, quality, staff training, morale and future business opportunities. In the changed context, genuinely practiced business values and ethics would also play a significant role in bringing credibility and positively influencing the way business houses function. So, in an increasingly competitive environment the only way for the Indian industry to survive may be to set up global standards and work assiduously up to global standards.

Clear Focus on human resource development

Focusing on human resource development will ensure availability of highly skilled and productive workers that will contribute immensely to creating a strong, competitive organization. This underlines the need for workers to learn, unlearn and relearn as

well as to do things differently including innovative means in order to be more effective and achieve the competitive goals for businesses.

Nurturing entrepreneurial talent and fostering world class companies

Developing entrepreneurial capacity in an environment of increasing globalization and rapidly changing technology will be most challenging. To succeed Indian businesses and corporations, big or small, will need to be quick to access know-how as well as be able to identify the commercial potential of opportunities that arise in the global context and take calculated risks. Entrepreneurs should be enlightened and must be prepared to use the latest knowledge and available technologies to operate and manage businesses in different cultural milieus. They must possess superior negotiation skills and be able to forge strategic alliances domestically and with international companies.

Developing world-class companies that can act as role models for newer companies would certainly contribute to instilling a culture of excellence and adoption of best international

practices in industry. Domestic businesses must be more pro-active and aggressive in forming strategic alliances and smart partnerships with international companies, to gain access to markets, technologies and know-how.

Creating market niches

Creating market niches in selected high-value-added products and services and for specific clients could be one way forward to effectively competing in the global setting. Competing with newly emerging markets like China in low-value-added products will get more difficult. Thus, targeting markets and customer demand may propel Indian industry towards higher competitive levels. Here working together with prominent MNCs to develop a new array of product lines would help establish India as a prime source of special goods and services.

Improved corporate governance practices

Strengthening corporate governance should be a priority for all businesses. The concerned Regulatory Agencies have been introducing many measures to reduce corporate abuses and stock market volatility as well as

strengthen the position of minority shareholders. However, what is more important is for businesses to move towards self-regulation and enhance their own standards of corporate governance. We need more responsible, transparent and accountable business houses practicing international best procedures. An overall high standard of corporate culture will attract more strategic alliances and mutually beneficial partnerships, both domestically and internationally.

Concluding observations

There are very high expectations that India would be a major manufacturing hub in the region next only to China. Such a distinction is not easy to attain. In the emerging milieu, Indian business houses need a bold new vision and a feasible action plan to be global players. Indian business community must foster competitiveness and develop strong leadership abilities. As a unified whole, the Indian business community must dream and believe that they can take on the world. Winning the battle for global leadership is not going to be easy in a globalised world with several power centers and trade alliances. Globalization is

raising aspirations across continents. Against this setting, we need to invest in education, science and technology. Research focused learning is critical to generating commercial ideas and fostering innovation. Innovation would lead to increase in productivity, higher economic growth and better standard of living. Our business policy must encourage competition among enterprises, public and private, to foster innovation, productivity, and economic growth and better quality of life. Competition must drive our markets and mindset. In essence, competition is not a threat but an opportunity.