

FOUR E'S AND TWO C'S STRATEGY TOWARDS GLOBALIZATION

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ABSTRACT

This is because any transformation spells a short-term loss for some. Governments do not want to lose their sovereign rights, and vested interests do not want to surrender their privileges. However, the process of economic integration is not dead. It is forging ahead in the form of regional economic blocs, each bloc covering a number of specified member countries. In several cases, a single country has managed to become a member of two or more regional blocs. This form of regional economic integration is assuming all forms and shapes and its coverage is increasing rapidly. It has acquired a dynamism and volatility of its own. With the progress of globalization the business companies of the countries all over the world are engaged in international business. Most of the companies that go global fail because of lack of global competitiveness. The decision of private business firm to invest or to do business in any country depends upon the competitiveness of that country. It is perhaps on account of rapidly growing dimension of globalization i.e. with barrier free integration of all national economies into one single world entity. Even though the feasibility of this goal is there for all to see, there is a stiff resistance to it.

Introduction

Changes have always been taking place in the past and will continue to be so in future too. But the pace at which these changes have occurred in the recent past is indeed phenomenal. World economy has become highly dynamic and has acquired an unprecedented growth potential in areas such as technology, finance, IT, tourism and other fields. It is perhaps on account of rapidly growing dimension of globalization i.e. with barrier free integration of all national economies into one single world entity. Even though the feasibility of this goal is there for all to see, there is a stiff resistance to it. This is because any transformation spells a short-term loss for some. Governments do not want to lose their sovereign rights, and vested interests do not want to surrender their privileges. However, the process of economic integration is not dead. It is forging ahead in the form of regional economic blocs, each bloc covering a number of specified member countries. In several cases, a single country has managed to become a member of two or more regional blocs. This form of regional economic integration is assuming all forms and shapes and its coverage is increasing rapidly. It has acquired a dynamism and volatility of its own. Many developed countries continue to believe that they can benefit more from regional grouping than from a full-fledged and non-discriminatory world-wide integration.

To participate in globalization, every economy has to pass the litmus test of investment worthiness. Developing countries suffer from several constraints like infrastructural bottlenecks, institutional deficiencies, shortage of skilled manpower, etc., besides macroeconomic difficulties. Access to globalization and its benefits demand that developing countries first put in place a conducive environment necessary to ensure higher returns and larger markets for foreign investors. Foreign investment will not flow to the countries handicapped by problems like political instability, bureaucratic inefficiency, corruption, inefficient institutional facilities, ineffective governance, etc.

Economic reform process in India was introduced in the form of New Economic Policy in July 1991. Economic process was born out of the crisis of June 1991 in the economy.

Highlights of Economic Reforms

- (a) The stabilization reforms were meant to correct the weakness on the fiscal and the balance of payments fronts.
- (b) The structural reforms were meant for removing some of the rigidities of the economy.
- (c) The objective is simple and that is to improve the efficiency of the system, by removing the barriers to entry and the restrictions on growth of firms.
- (d) For the desired results and to improve the efficiency of the system, the two forms of reforms are in fact complimentary to each other in creating a more competitive environment in the economy.
- (e) The private sector is being given a larger space for operation as some of the areas earlier reserved exclusively for the public sector are also now allowed to the private sector.
- (f) The public sector to compete with the private sector. The critics of the reform process have to understand that state and public sector have an important role to play. The public sector is not to be substituted by private sector rather public sector is to compete with private sector.
- (g) The reform process has not necessarily diminished the role of the state, rather it has only been redefined, expanding in some areas and reducing in some others.
- (h) If public sector is truly to play its role, it must generate necessary surpluses through improved efficiency and productivity.
- (i) It is only an efficient public enterprise system that can enable the government to meet its social obligations.

India is fast becoming a part of the globalize economy. Table-1 demonstrates how India has become increasingly closely connected with the world economic and trading system in the decade So India searched for other options for economic openness and integration between the Indian economy and the global economy, i.e., by actively participating in the process of

globalization. It is not to say that in earlier times India was not a part of the process, but rather India was more of a passive bystander than an active participant.

Table 1 : The Economic Indicators of India (2005-2009)

Indicators	2005	2006	2007	2008	2009
GNP (US\$)	412.9 bn	477.9 bn	494.8 bn	680.4 bn	793 bn
GNP per capita (US\$)	420.0	460.0	470.0	630.0	720.0
GDP (US\$)	413.8 bn	478.5 bn	510.2 bn	694.7 bn	785.5 bn
GDP growth (annual %)	6.0	5.2	8.0	8.5	8.5
Export of goods & services (%GDP)	11.2	13.5	15.2	19.1	21.1
Imports of goods & services (%GDP)	12.9	14.1	15.6	21.1	————
Foreign direct investment	2.6 bn	4.3 bn	3.0 bn	5.3 bn	7.0 bn
Net flows (current US\$)	1.4 mn	7.0 mn	16.6 mn	32.4 mn	————
Internet users					

Strategies towards Globalization

India can strive to become a global player and can sustain the current positive trends (2008 - 2009) if the policy makers and executors keep in mind the following factors:

- (i) Re-emphasis on economic reforms process as is being done in China. In a falling dollar environment, besides drastically cutting down the subsidy, reworking of China's currency regime could be an increasingly important item on its reform agenda. It has been decided to cut down the subsidy bill of Rs. 45,780 crores on food products, fertilizers and petroleum products so to make the fiscal deficit to manageable levels. To attain the objective, the intention of the government is to introduce food coupons for Below Poverty Line (BPL) families to replace PDS delivery, pruning of FCI expenses on buffer stocks, freezing the support price for food grains like wheat and rice, phasing out subsidy on cooking gas and kerosene and opening up LPG and kerosene market to competition including decentralizing urea imports and setting up of units abroad. The resolutions, however, seem to be quite over optimistic at least at the present state of Indian Economy.

(ii) Focus on quality improvement, employees' involvement and customer satisfaction in both manufacturing and services. This suggestion made by William Deming, the quality control advisor in US Army to Japan in 1948 is still valid in 21st century business environment.

(iii) To promote employment and poverty reduction, improve agriculture through re-emphasis on improved farm practices, enlarged irrigation facilities and scientific cropping pattern along with appropriate pricing and procurement policies.

(iv) Create good manufacturing base in terms of infrastructure for attracting foreign investment in major areas and build up necessary marketing and service infrastructure so to promote trading in services.

(v) Target specific areas and industries for special concessions in order to meet social obligations. Govt. bound to stick to subsidy regime at least in case of petroleum products. In Dec. 2004, Govt. of India has to face deficit of Rs. 11,000 crore on account of subsidy given on cooking gas, kerosene oil, petrol and diesel. Subsidy on gas cylinder is Rs. 210.40 and on kerosene oil it was Rs. 11.05 per liter. It is true that serious social imbalance will emerge in the economy, if the fruits of development do not reach the urban poor & rural poor.

(vi) Family run business need to comply strictly with the norms of corporate governance. It will take some time. Audit practices need to be strengthened to discipline erring managements.

(vii) Look for new segments of service sector such as traditional, Indian medicine system management consultancy and fashion out sourcing.

(viii) Ensure that public sector is to compete with the private sector and there is need to reform the labour market and a proper exit policy for loss making enterprises.

(ix) At the global level, Indian business and industry must enter into strategic alliances with MNCs and other leading players in production and marketing sectors to benefit from expending opportunities. India does not have the image of a traditional and reliable exporter and Indian brands are not well known in world markets.

Four E's and Two C's Strategy towards Globalization

In nut shell, it would be more appropriate to expand on the four E's and two C's of the Strategy towards globalization.

1. Efficiency: There are different components that constitute efficiency. The need of the hour is to considerably improve India's productivity all around. The second aspect of the efficiency is technology up gradation and improving the organization's cost competitiveness. Higher capacity utilization in existing plants needs to be given the highest priority in this context. A mere one percent increase in capacity utilization in the manufacturing industry will mean Rs. 25 billion of additional output per annum. The same is true in case of service organizations. The gain in terms of cost reduction per unit could be significant. Third area is energy efficiency in industry and service sectors. India is an energy deficient country depending on imports for one third of its oil demand. Therefore any improvement in energy consumption norms will not only enhance the country's competitive strength but also reduce the burden on ex-chequer.

2. Excellence: This aspect of the operation strategy deals with overall quality improvement and value enhancement. For result oriented international marketing, the business organizations need to achieve high standards of excellence and competitiveness. This will require induction of new technology, as well as major improvements in labour productivity. Even in the domestic market, until recently, when competition brought a

choice to the customer, quality was a neglected aspect of industrial operation. Competition in the international marketing can be faced safely, only if quality products and services are produced.

3. Employee Involvement: Edward Deming had emphasized the need for building up such an environment in the business organization that each employee from bottom to top is considered an integral part of the organization. Mindset of employees across the organization has to make proactive. The culture of continuous improvement has to be generated in the employees.

The New Age Managers- the managers of global companies need to take initiative to develop individual competence and commitment. It would lead to improve the cost competitiveness of the organization.

4. Exports: India needs to aim for a steady growth rate of exports of 20 to 25% in real terms. The entire trade policy and fiscal mechanism should be supportive of this effort. In today's globalize environment enormous size of market is essential for existence and it is not possible without aiming at increasing exports.

5. Customer Satisfaction: It is regarded as one of the important elements of an optimal marketing strategy for a global company. Customer preferences, liking, suggestions have to be honored. The business leaders ought to be effective facilitators in the promotion of excellence. It is essential for global recognition.

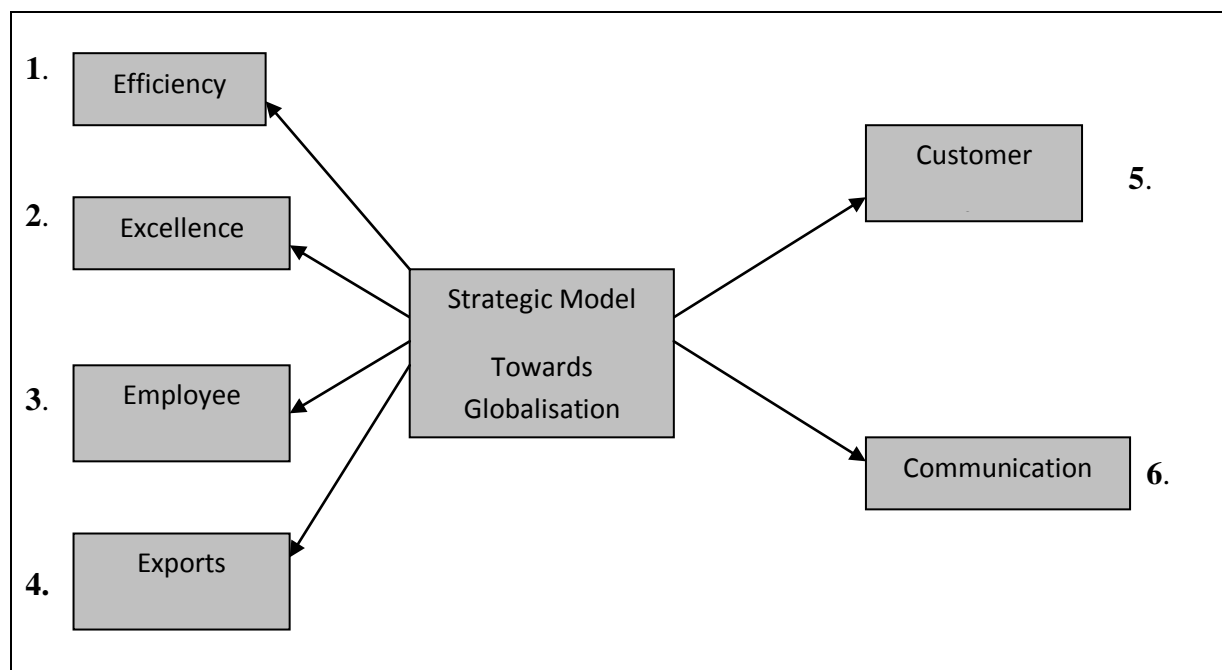
6. Communication: One should remember that technology alone is never enough in difficult times. This is because the means of communication are readily available, does not mean that people have learnt to communicate well. Harvard Business School in a

survey found that the bright young people can crunch numbers, analyses markets and device business plans. But when it comes to teaching human relation skills, it seems to be the area where improvements are needed. Sure technological sophistication will still be important as the world races ahead. But that is just the price of the admission to the new business arena.

The winners will be the service organizations with smart and creative leaders who know how to communicate and motivate effectively. Good communication skills therefore are to constitute as one of the important elements of optimal service marketing strategy.

The four E's and two C's strategic model for globalization is shown in the Chart 1.

Figure 1 - Components of Strategic Model towards Globalisation



The four E's and two C's in fact, constitute the fundamental elements of strategic model towards globalisation efficiency that improves cost competitiveness. Excellence means quality improvement, exports imply linkage with foreign exchange employee involvement again improves cost competitiveness, communication leads to value enhancement and customer satisfaction involves global recognition.

Reliance, Ranbaxy, Arvind Mills and Bajaj Auto have been included in the list of the top fifty most competitive Asian firms simply because these firms have derived cost advantage from cheap basic factors such as raw materials and labour scale of production and process technology. These firms have focused their attention on four Es and Two Cs which are essential elements of international benchmarks. Ranbaxy normally uses cost data from world's four most competitive drug manufacturers for bench marking its operations, Sundaram Fastners constantly looks for quality conscious customers who are extremely demanding. It uses the customer pressure to motivate employers for internalizing the value of quest for quality.

Conclusion

Any form of economic integration, by its very nature, necessitates a corresponding compromise of national sovereignty; and it is more so in the case of global economic integration. This poses a very difficult and often unacceptable choice for national governments, For example, a national government may find itself forced to abandon measures for providing food security, or jobs during a natural calamity, etc. Though several economists from the 'developed countries have been arguing that long run sustainable growth and prosperity of the developed countries can be ensured only by the growing prosperity of the developing countries, the former are not ready to adopt and pursue this approach, Instead, they are always eagerly looking for opportunities to reap short-term gains.

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