

Competitiveness and Global Leadership -The agenda for India-

**HimanshuVaidya
hvindia@gmail.com**

Historically countries which controlled natural resources were the richest since business meant sale of these resources without much value addition. Countries and Companies then with access to natural resources were said to have a 'comparative advantage' or a 'factor advantage'. Such countries and companies used to be leaders. Japan's rise after second world-war was a break from history in the sense it had no 'natural resources' and so no 'comparative advantage' and yet it accomplished an ascent to global business leadership.

The rise of Japan brought to the fore the concept of 'Competitive Advantage'. It was increasingly being demonstrated in a globalizing world that 'value addition' and 'affordability' depended as much on Human Resource productivity, creativity, management culture and government policy as much on resource access. 'Management', 'Human Resource Productivity' and 'Government Policy' thus emerged as key determinants of competitiveness and over time major determinants of leadership. Global business leadership is now based upon 'Competitive Advantage' of which 'Comparative Advantage' was a small part and at times no part at all.

The era of 'competitive advantage' ushered in a growing interest in the area of 'competitiveness' and 'sustainable competitive advantage'. Michael Porter pioneered the concept of 'competitiveness studies' which studied among other things the 'competitiveness of nations'. Porter's work led to leveraging of 'competitiveness' as a concept for purposes ranging from Company Strategy and State Policy. Part of success of many world renowned clusters in the world including Silicon Valley is owing to positive policy and support interventions done based on the concept of 'competitiveness'.

Competitiveness is one of the few concepts that help us compare both on aggregate and constituent basis (any two comparable human collectivities) Countries, Sectors, Companies, Non-Profit Organizations and Professional Communities. One is able to ascertain how well one country or a company compares with another overall and in terms of various elements of analysis. It is time India as a country pro-actively leverage the concept of 'Competitiveness' for a range of purposes including policy making for country and states and for formulating 'strategy' for varied type of organizations ranging from companies trade bodies, professional associations and non-profit organizations.

Competitiveness before it can be used for policy and strategy, has to be measured so that an empirical and accurate foundation is established for comparison and intervention. This however is no simple task. WEF (World Economic Forum) releases a global competitiveness index which itself is recipient of extensive criticism on account of (its) methodology, subjectivity and measurement. India's needs here are too great and too specific and complex and so it needs to evolve an indigenous, more comprehensive and a reliable Competitiveness measurement methodology leading to a reliable Competitiveness Index especially for the centre and the states. It is equally necessary to create a

separate and indigenous Competitiveness Index each, for companies, industry sectors, non-profit organizations and professional communities.

On the point of application, some obvious and needed areas for deploying the concept of competitiveness are here discussed. Competitiveness Index can be deployed by the Nation to create a long term plan that helps us bridge gaps with our competitors in specific sectors through a variety of policy, institutional and natural resource management strategies. It can also help us compare ourselves against the global best on a variety of issues and thereby plan to bridge the gap. National benchmarking on business and social issues and consequent collection of best practices for implementation is also enabled through the Competitiveness Index.

China has leveraged best, the concept of competitiveness in policy making with great success. China successfully has enhanced its competitiveness by an integrated multiple policy intervention approach. Ranging from currency to national health policy to explicit and implicit subsidies, the Chinese miracle is a great instance of what can be achieved with an inspirit synergy of comparative and competitive approaches to policy. Of great interest also is the 'predator competitive policy' practiced by China where they identify a country and a market and create policies to help Chinese manufacturer sell its products at 50% lower predatory prices to kill local manufacturing capacity and then over time increase prices as a monopoly. The lower cost structure for the manufacturer and also compensation for its 'introductory loss' is supported by policy initiatives.

India can also identify markets through a 'Friends of India Fund' where we can enhance competitiveness of our friendly countries to insulate them from other powers who wish to capture them through economics. Instead of giving aid if competitiveness enhancing interventions are extended it debar our strategic competitors from entering and capturing an empty no competition arena. Some geographical zones like SAARC, Africa and Australia we should identify and develop competencies to dominate economically these zone countries with an integrated 'policy' intervention that works in synergy with industry.

The area of comprehensive economic partnership agreements and other free trade agreements is also an area where an accurate assessment of mutual competitive positions in various areas is necessary to ensure a prudent and profitable agreement.

Competitiveness as an analytical and strategic construct can also be leveraged to create competencies in fundamental sunrise areas of future. Japanese companies ascertained a digital future way back in 90's and created products and intellectual property around flat screens. Regardless of which product you use today the inventor makes profit agnostic to the brand, company or country that succeeds in the product space. India has to identify such future sunrise areas and build competitive capacity. In India CSIR and the national research apparatus (preferably in a PPP mode) can similarly be tuned into engagement with future sunrise areas like electric battery and solar power to institute a long term 'competitiveness' at a very fundamental level guarded by global intellectual property protection.

Competitiveness Index can be deployed by States to benchmark themselves on a variety of industrial and social parameters against the best in the country and the best in the world. States can further

pursue competitiveness instituting at the district level. Such an approach will lead to harnessing the best amongst people in a decentralized mode and yet aligned to the global markets. A national and global benchmarking of States and Districts will bring a wave of fresh air in perspective, policy and accomplishment.

'Competitiveness' can be leveraged by industry associations to make sure they approach the government much before the sector's competitiveness is lost and damage is done by a competing country. A continuous monitoring of health of any sector can be done leveraging the concept of competitiveness index. Instead of lobbying based upon political clout and election funding, industry associations can engage with government on reason and foresight. Interventions to enhance competitiveness in varied areas can be made aligned to real needs and an entire atmosphere of global benchmarking, self capacity enhancement and creative ideation can be ushered in at the Industry or Cluster level, which with government policy and resource support can position our industry for a quicker ascent.

Non-Profit organizations can institute the concept of 'competitiveness' to produce best 'social returns' on 'social spending' they do and also to make sure Indian non-profit sector is not marginalized by larger multi-national non-profit players. Global best developmental practices can be adopted in India and in the long run we should create our own multi-national developmental organizations. Similarly professional associations viz. ICAI, ICSI, MCI and others can deploy the concept of 'competitiveness' to ensure that they continue to remain competitive by global standards and that they are able to appropriate a major share of global outsourced services market. With global service markets getting liberalized it is ever more essential for a service driven economy like India to retain a competitive advantage and it need continued engagement and action on part of the leading professional associations and regulators. Professional accreditation, curriculum development, continuing education and policy support to professionals are issues to be dealt with a global competitiveness perspective.

Companies can leverage the concept of competitiveness to find out in which areas are they weak or strong compared to competition and draw strategy accordingly. Competitiveness as a concept provides a new vantage point from where to institute the analytical and the creative strategic process. Especially when competitive advantage is eroded, nullified or overtaken owing to 'non factor' issues, serious macro engagement or readjustment becomes imperative.

Indian policy making if integrated with 'competitiveness index' conceptually can lead to a great leap in efficacy of policy making and make it more empirical, concrete and rooted to ground realities and also integrate the goals and measures to the global context. Creating sustainable competitive advantages around non-transferable assets or competencies can bring us great and sustained rewards. Leveraging the concept and its spirit in areas of 'governance' including public sector units can create a 'windfall welfare'. The national skill development mission can also bring in the concept to add to its concerns of employability and can look at both the corporate and the non-profit sector for engagement and intervention. A profound engagement with competitiveness in spirit and action, with sincerity and on a scale, can potentially over a decade change India's discourse with the world.

(The author is Chair Professor GIC Indus Chair of Competitiveness studies. He can be reached at hvindia@gmail.com)