

## **BUILDING A COMPETITIVE ECONOMY: LESSONS FROM THE EAST ASIAN EXPERIENCE**

**Partha S. Ghosh**

The most fundamental requirement for any economy, particularly those in the early stages of economic development, is wealth creation across all socio-economic levels. To create wealth in India, we must involve our people in economic activities which can competitively earn wealth from countries where wealth resides. In the process, we must finance the development of our infrastructure and increase gainful employment, thereby boosting our efficiency and purchasing power. As domestic demand expands, our savings rate will increase, stimulating further investments in plants and equipment, which in turn will provide more employment opportunities. In this way, we can begin the virtuous circle of growth

Since independence, we have emphasized not wealth creation but wealth distribution in the name of "social equality." We have spread ourselves thin in the name of "self-reliance," we have nurtured inefficiency and corruption in the name of "protection of domestic entrepreneurship," we have relied on costly solutions (and in the process ceased to be a trading nation) in the name of "import substitution," and we have given birth to several white elephants and sacred cows in the name of "nationalization/deprivatization."

All these factors have led us to denigrate rather than celebrate champions, to downgrade experimentation, and to over control. They have led us to undervalue quality, consensus, commitment building, natural internal competition and diffusion dynamics; they have led us away from the customer, and away from cooperation.

Still, there are welcome signs that "competitiveness" is becoming a watchword in industry and government circles. In building a competitive economy, India would be well-advised to draw on lessons from Japan and the "Four Tigers -- South Korea, Taiwan, Singapore and Hong Kong.

About five years ago, on the basis of my direct and indirect exposure to East and Southeast Asian economies and their policy-making processes, I called for India to develop a "country strategy," which would identify industries in which we should aim to become "No.1 worldwide". I am sure many discounted this idea as too radical, and may have seen in it seeds of preferential treatment for certain industries. Probably these people asked themselves such questions as "Why does India need to compete in the world when it has such a large market base, natural resources and land?"; "Why not allow participants in every industry to enjoy equal treatment?"; Why, if money can be easily made at home, should we struggle in unprofitable world markets?"; and "In any case, what is the big rush?"

All of the above questions are based on myths which have clouded our thinking for the past several decades. I think it is important that we briefly discuss these myths so that all of us appreciate the significance of two key terms I will discuss today, "discontinuity" and "sustainable

competitiveness”.

#### Myth 1: India is a large market

India has the potential to become a big market, when every adult is gainfully employed. Today the market is actually rather small. The GNP of India (population: 780 million) is less than one-third that of greater Tokyo (population: 25 million. ) For most value-added products, India accounts for less than 1 percent of global demand. If we want to move into value-added industries and take advantage of economies of scale, we must treat overseas markets with greater importance. We must build factories and manage agro-farms to compete in international markets and in the process create more employment than the domestic market would allow. As new employment opportunities open up, and export earnings are used to build a competitive infrastructure, domestic demand will gradually increase, and only then will India become a large market.

#### Myth 2: Every industry should have equal growth opportunities

In order to develop a globally competitive economy, we must focus on a few high potential "priority industries" -- typically labor-intensive industries which exploit skills and resources unique to India. Currently, we end up spending money on industries with low potential while failing to meet "critical mass" requirements for those which show the most promise. As a result, we have lost share in areas like tea, jute, and spices, where we traditionally had strength, and at the same time we have been unable to gain significant share in other new areas. We must learn to stop wasting our limited capital resources, and start allocating them much more efficiently.

#### Myth 3: Let's make money at home

It is true that it is easier to make money in a protected environment (i. e. one with controls on industrial licensing). But consider the real facts of India's case: since our economic fundamentals are basically weak, the value of Indian money outside India steadily declines, and in the absence of economic growth, it becomes increasingly more difficult to make money. Furthermore, now that our government is slowly liberalizing our economy, it will no longer be possible to make money with uncompetitive operations. The free market and the invisible hand of economic forces will always find ways to seek out the most efficient operator.

#### Myth 4: India need not rush

It should be clear by now that for India to grow, it must exploit external opportunities. China, Indonesia and other countries in our economic league are looking at the same opportunities and, if my observations are correct, they are better prepared than we are to take advantage of them. If the advanced nations and NIEs commit themselves first to China and other developing countries outside of India, it will be a while before they switch their attention to India. In other words, India will miss out on the current wave of development related to the rise of "Asia-Pacific" and the "globalization revolution. "

If we wait too long, will we be able to link with the technologies, attitudes and work habits of advanced nations and NIEs? Given the speed at which technologies, management/business concepts, and consumer attitudes are changing in the advanced nations and NIEs, I am afraid that if we continue to move at our current pace, it will be very difficult for us to bridge the widening gap with more progressive economies.

We can't afford to wait another ten years. We need to launch an effort now to ensure that India, in comparison with China and other developing countries, will be equally, if not more, attractive as a manufacturing base for companies in the TRIAD (Japan, the U. S. and Europe). To do this, we must strengthen our skill base, increase our international competitiveness, and expand our exports.

Countries which are now, or could potentially become, customers for Indian products and services, are all in the midst of major transformation. New socio-economic concepts, new forms of learning and leisure, and new wealth are creating new types of consumer behavior and demand- If India ever hopes to capture these customers, let alone catch up with their socio-economic status, it must act quickly, :aping its policies, basic business management concepts and industry practices to those in more progressive economies. After all, "there is a tide in the affairs of men which, taken at the flood, leads on to -victory. . . .”.

In my view, the most disturbing development in the four decades since independence is the loss of faith within India itself. From factory floor to boardroom. discontent and frustration are pervasive. India's lack of self-confidence and inability to look upon the future with courage and hope form a sharp contrast to the pragmatic, optimistic and visionary perspective with which leaders of competing nations view their own economies. If we continue on this track, positive attitudes toward nation building will begin to crumble, and eventually vanish completely. Given this backdrop, and building on my observations and analyses of successful economic development of East and Southeast Asian countries, I would now like to outline a few lessons for us to draw on in building a competitive economy.

The word "competitiveness" when used in a generic way has very limited significance. To talk about competitiveness in any meaningful sense, we must first clearly answer the following questions:

- ¶ Competitiveness "in what"?
- ¶ Competitiveness "against whom"?
- ¶ Competitiveness "for whom"?
- ¶ Competitiveness "when"? and in "what sequence"?
- ¶ Competitiveness "how"?

In addressing these questions I would like to discuss with you three specific points:

Macroeconomic Policy Making for "Country Strategy"  
Factors Behind "Winning Corporate Strategies"  
India Towards the 21st Century: Seven Imperatives

## 1. MACROECONOMIC POLICY AND FOR "COUNTRY STRATEGY"

I think there is a growing consensus among government and industry leaders in many progressive economies, that for a country to progress efficiently, it needs a clear sense of direction. In that context, the role and function of Japan's Ministry of International Trade and Industry (MITI) have attracted a great deal of attention around the world.

As many of you know, MITI's progressive guidance and policies on economic development are often cited as the prime driving forces behind Japan's post-war economic "miracle". In fact, the seeds of this so-called miracle go back at least to the Meiji Restoration of 1868. The Meiji Restoration ushered in an era of socio-economic transformation, which formed the basic foundation for Japan's economic growth. Despite the very significant interruption of World War II, the Japanese have made remarkable progress in the 120 years since the Restoration, leveraging on a problem-solving mentality to remove one after another bottleneck to economic growth.

### Competitive Framework/Process for Macroeconomic Policy Definition

Obviously, since India's socio-economic situation and grass roots challenges are so different, we cannot find ready-made solutions in the economic development of Japan or other Asian nations. However, I do think we can learn from their "economic growth experience" the process of problem solving, the process of managing major revolution and/or transformation, the process of continuously upgrading the socio-economic fabric of a country by establishing meaningful links worldwide. The characteristics which form the basis of this "problem solving mentality" are:

¶ Leadership's will to address fundamental issues (root causes opposed to symptoms) and manage socio-economic metamorphosis /discontinuity

The Meiji Era in Japan witnessed a dramatic change in the daily habits of people (including dress and eating habits), which helped gear the country to Western work ethics and progressive thought processes.

Meanwhile, MITI continuously drew the attention of industry and business to the fundamental obstacles to economic growth, and worked 'side-by-side' to develop creative solutions.

¶ "Catch-up" mentality: Since the Meiji Restoration, Japan's government and industries have focused single-mindedly on catching up with the West. The same phenomenon is true in the last quarter century of development for South Korea and Taiwan, and more recently for ASEAN nations and China. All these nations have set very ambitious deadlines in terms of production, infrastructure building, education, and so forth to close the gap with the advanced nations - an external orientation which instills in people a true competitive spirit.

¶ Focus: Throughout the development process of the East Asian countries, there have always been periods of focus on distinct socio-economic problems and industries. Particularly when a country is in the catch-up mode, it has too many choices; in fact, the further behind a country is,

the more choices are available. As countries move from one stage of development to the next, they open up new avenues of economic growth, which in turn present new opportunities for less developed countries. In fact, countries which have successfully pushed forward demonstrate superior ability to choose where to follow the sequence others have followed, where to leapfrog, where to rely on indigenous development; and where to enter into cooperative ventures with more advanced nations.

#### ¶ Government & industry as equal partners:

Government and industry leaders in Japan, and later in South Korea, Taiwan and ASEAN have worked very closely together to set economic targets, prioritize strategic sectors and above all remove bottlenecks to economic growth. In Japan, MITI has also consistently called upon academics and outside experts to help identify industry issues, brainstorm strategic options and develop a consensus on broad national priorities.

#### ¶ Loose & tight control:

In Japan, government agencies and departments of MITI, the Ministry of Finance, and the Bank of Japan manage policies in a dynamic mode. For industries in early stages of development, policies are designed to encourage risk-taking. For industries which are rapidly growing, policies focus on stimulating competition. For industries which are shrinking, policies aim to facilitate consolidation/rationalization. - In other words, government guidance and control differ by industry and are generally strategic and supportive in nature, while the working mechanisms of the industries are left in the invisible hands of Adam Smith, i.e. the process of the market.

Before we can talk about industrial competitiveness, then, we must put in place working arrangements at the macroeconomic policy-making level which are efficient and oriented toward problem solving. In today's world, which is driven by competitive use of human intellect, we must find ways to use our intellectual powers better than other nations to solve our economic problem and to build our economic muscle. We must not forget that all externally oriented developing countries are looking at similar opportunities; the winners will be those who leverage more efficiently on their own intellectual power.

#### Nurturing the Courage to Make Bold Changes

I believe that discussions initiated by different associations/government entities on "quality circles, " "productivity, " and so on are welcome, but if the India is like the Titanic, about to hit the iceberg, then all those discussions will be rendered worthless. In the last forty years, we have held countless seminars on different management concepts, possibly more than Japan, Korea and Taiwan put together, and I am sure all the sponsors of these seminars assumed they chose the most appropriate subjects. But I feel we talk about too many different issues and in the process lose focus, failing to carry any one idea forward until it results in a concrete set of actions. If there is one key lesson to learn from the advanced nations, it is the significance of focusing on the most critical issues, and then taking bold actions to make things happen. We must now single-mindedly work on our fundamentals, recognizing that it is not incremental changes that

will make the difference but rather economic discontinuity is required to create a socio-economic vibrancy at the grass roots of India. In short, we must create and manage a social metamorphosis to begin the process of building a competitive India.

We must demonstrate the courage to put aside the old assumptions which hold us back, and boldly define the new - be it at the philosophical level or at the day-to-day operating level. We must begin a new era with the underlying theme of "competitive mutual dependence" as opposed to "self-reliance", promoting world-class organizations, rewarding selectivity and efficiency, encouraging wealth creation at all levels of the economy, breeding a problem-solving mentality from tool rooms & boiler rooms (factory floor) to boardrooms, bringing industry and government together into a team committed to efficiency, innovation, and above all "quality management." If we really want to focus on competitiveness, then let's only organize seminars and public debates around three key elements that are essential to competitiveness -- "country strategy", "infrastructure" and "management education" -- for the next 10 years if necessary, until we see a few industries emerge as truly competitive. Likely candidates could well be agro based and knowledge based industries where I believe India has truly latent competitive advantage.

#### Designing a Country Strategy to Break the 5 Percent Barrier

As a new progressive philosophy is adopted, and a new will to change is nurtured, we must develop a "country strategy" to break the five percent growth limit and move into a double-digit growth era. Many Asian economies (including China) have demonstrated that such a level of growth can be sustained. To achieve double-digit growth, however, we will first need to address the following issues:

1. Are there a few industries (in the agricultural, manufacturing, and service sectors) in which India has the potential to become a major world player in the next 5-7 years? Also, will emerging trends (e.g. growing "me-ism" in the advanced countries) open up new opportunities which India could exploit?
2. Could we put together a package on infrastructure development to support selected industries which could be financed by the World Bank and/or Japan's Overseas Economic Development Fund?
3. Could new technologies be harnessed to expedite the solution of some long-term problems (e. g. the 3Es: Energy, Education, Efficiency) which have been a drag on our economic growth?
4. Are there a few countries which we should target as our customers?
5. Do we know what cards to play against competing nations in order to attract foreign participation or to sell our products and services abroad?

In answering these fundamental questions, we must draw upon a thorough understanding of microeconomic realities which determine the requirements for global competitiveness in specific industries (e. g. textiles for Taiwan, garments for Korea and Hong Kong, bicycles for China) and

so forth).

The East and Southeast Asian experience indicate that, even in an inhospitable environment (e. g. after the oil shocks), extended periods of double-digit growth are possible if a country has a clear set of priority industries backed by specific industry/infrastructure strategies. Of course, particularly for countries with limited resources, high growth strategies have to be financed externally, and that's why we need to ensure that the process of capital flow and utilization are efficient, and that resources are diverted to priority industries in which we can "win" worldwide (and thereby service our debts). We have to work on developing a capital market so that our cost of capital is also competitive.

During each stage of development over the past forty years, East Asian nations have built their economic policies around a few key industries, carefully keeping their infrastructure and capital market strategies in tune with those priorities.

Japan, for example, zeroed in on specific industries sequentially - in the fifties, electric and gas utilities, steel, cement, textiles and shipbuilding, with the overall theme of "reconstruction"; in the sixties, automobiles, petrochemicals, and electrical appliances, with the overall theme of "income doubling"; in the seventies, consumer electronics, energy saving systems, and industrial electronics, and in the eighties, service industries, with the overall theme of "global economic & political leadership"- All along, the cost of capital was kept competitive and the infrastructure was continuously upgraded to support the build-up of competitive industries. A similar pattern is visible in the development process of all high growth economies.

Singapore is another interesting case example, particularly in terms of the lessons it provides for revitalizing our cities. In the seventies, Singapore was extremely successful in its efforts to become an air-traffic hub. Along the way, it developed as an international clearing house, and as a shopping and leisure center. In the late seventies and early eighties, it successfully positioned itself as a manufacturing base for companies from the U.S. , Europe, and Japan, and now it is promoting itself as a location for RHQ (Regional Headquarters) and IPO (International Purchasing Organizations). As the composition of its skill base has improved over time, the Singapore Government has been extremely dynamic in developing new concepts around knowledge based industries to offer to the rest of the world.

Leveraging Global  
Tends to Leapfrog Forward

In order to ensure a successful "India Strategy," we must leverage wisely on global trends. Specifically, I would like to draw your attention to four important trends:

¶ Increasing speed of technological discontinuities:

As the speed of innovation accelerates, companies and countries must constantly rescope their strategies. Change, after all, signifies both opportunity and threat: Opportunity for those who are

alert enough to capitalize on change, and threat for those who love the status-quo. If India could carefully assess and exploit its potential competitiveness in a few emerging technologies (e.g. artificial intelligence, bioelectronics, genetic engineering, informatics, optoelectronics), it could well take advantage of discontinuities and achieve a respectable position in the world of high technology, while solving some of its own fundamental problems to stimulate growth in the rural sector.

Deregulation of financial markets leading to global integration:

The eighties have been the age of deregulation. Deregulation of financial markets has created new economic dynamics as various capital markets have been integrated into one, and in turn has provided the "financial wizards" of Wall Street, the City and Tokyo the opportunity to offer a variety of services to the business world, taking advantage of inefficiencies and imperfections in the capital market. Given the power of communications technologies, India could also become a major player in the global financial market, capitalizing on the proliferation of financial services by leveraging its intellectual capital to offer what I call "High-Skill, High-Labor" support to major financial institutions, If Singapore and Hong Kong can provide such services, there is no reason why Bombay, Calcutta, Madras and Delhi cannot provide the same. Again, I see anal benefits in this approach. First, it would keep our financial markets in tune with state-of-the-art financial engineering, and second, it might allow us to draw on global financial resources at terms better than those we are offered today. Please note that I am not suggesting deregulation of our financial market. Rather, I would like to emphasize that could play an active support role in the global financial market.

Rise of Asia Pacific:

One of the most important trends in the global economic system is the growing significance of Asia-Pacific. The areas in the region that are at an advanced stage of development - the West Coast of North America (population 3ii3 million), Japan (122 million), Australia (16 million), New Zealand (3.3 million), and the NIEs (68.5 million), which together comprise a population approaching that of the United States - are still in the growth mode and offer immense opportunities. If these economies continue to grow, a "pull effect" will be created on Asia-Pacific nations at a less advanced stage, rapidly increasing the size of the region's economic pie. If current birth rates are sustained, the Pacific community (i. e. Japan, Australia/New Zealand, NIEs, ASEAN & China) will, by 2000, grow to a size almost equal Western Europe's population in . In other words, a new market approximately equal to that of Western Europe in 1985 will be created. India's geopolitical situation is perfectly suited to active participation in this market. In this context, we need to develop much more interest in Asia Pacific.

Increasing Significance of Microeconomic Realities:

One of the most significant post-war developments is the rise of the multinationals. In their book *Global Research*, Richard Barnet and Ronald L. Muller talk about the economic power and geographical reach of various multinational companies. The economic and intellectual power of the corporate world has developed to the point where multinational companies qualify as true

global citizens. Decisions made in the boardrooms of such companies often transcend national borders, and lead to shifts of information, money, goods and people around the world. Accordingly, multinationals today often have greater impact on personal well-being than conventional macroeconomic national policies. In 1987, for example, R&D budgets at GM (US\$4.4 billion), IBM (US\$4.0 billion), Ford Motor (US\$2.5 billion), and ATT (US\$2.5 billion) all exceeded India's total R&D budget. Because of sheer size and geographical spread at the grass roots level, such companies overshadow the intellectual and information Power of national government's policy making entities.

Accordingly, it is becoming increasingly important for governments to understand the boardroom mentality and decision-making process, so that a nation's economic and regional policies can truly influence microeconomic forces. To make this possible, forums need to be organized to continuously identify and resolve industry-specific issues, and help ensure that macroeconomic policies are designed as a product of industry-specific strategies. I urge associations like MMA, along with Assocham, CEI, and FICCI, to pool their resources and organize a task force which will produce the same kind of end products that Japan's Keidanren (Confederation of Economic Organizations) provides to Japanese decision-making bodies. My back-of-the-envelope analyses of India's competitiveness, and observations on how other developing countries are exploiting trends external to their economies, suggest that we could right now aim to be No. 1 in about six to eight industries -- for example, processed food/fruit juices, packaged tea, processed fiber products (jute, cotton & silk), bicycles, two wheelers, and knowledge based industries such as IT & Bio/Pharma etc. By concentrating on these industries, India could raise its GNP/capita from \$280 to \$800-\$1000 by the early 21st century, generating large scale employment opportunities.

But first we have to create and manage a "discontinuity" signifying a true change in our attitude's and aspirations, behavior and belief, courage and craftsmanship, doctrines and doings. We have to give birth to a process which I will call "managed and guided revolution" or "regeneration from within" - much like the Meiji Restoration in Japan and more recently, Chinese reforms in the last decade, and Gorbachev's Perestroika. Many of my learned friends who travel widely share with me a common view - "When you visit China, and to a certain extent even the Soviet Union, you can feel the change in atmosphere. But India still seems to be sleeping".

Let's pledge today that we will reawaken, resurrect our ancient principles/ethics, and adapt ourselves to the new economic, technological and politico: realities. In the process we need to channel the creative energies of our 780 million people along a well-defined socio-economic strategy, based on pragmatism and realities of economic forces, toward a vision which is inspiring to all.

## 2. FACTORS BEHIND WINNING CORPORATE STRATEGIES

At the microeconomic level, I believe there is a growing consensus among leaders of more progressive companies in India that corporate boards and senior management must also undergo fundamental change in way they make decisions, assess business and technological risks, view geographical distances, and above all manage attitudes.

Drawing on lessons from the global success of companies in Japan, South Korea, Taiwan, Hong

Kong and ASEAN nations, I would like to draw your attention to three critical factors:

1. Defining and Executing a World-Scale Game Plan
2. Managing PD3 (Product Development, Design & Delivery)
3. Orchestrating Resources - Human, Financial and "Invisible"

Definition & Executing a World-Scale Game Plan:

At the very early stages of development of successful companies, top management begins to view the scope and accordingly the competitive rules of the business with a global perspective. They steer their organizations to serve markets where "winning" means major rewards, and constantly compare their management practices, cost positions, and quality standards with those of the best of their counterparts. Through this process, leaders of successfully global companies help their organizations find ways to link with advanced markets and put in place dynamics which have "pull effect" on the thinking and operations of the organization. What leaders of these companies manage is what I call (EOS)<sup>3</sup> -- Economies of Scope, Scale and Skill. As technologies, user composition, and user attitudes change, competitive pies must be continuously reexamined and redefined. Companies like Sony, Matsushita, YKK, Yamaha, Toyota; Honda and many more in Japan have all rallied around the dynamics of (EOS)<sup>3</sup> to develop global links and in turn global competitiveness. Because of these dynamics, Japan has, in only thirty years, shed its image as a producer of shoddy products, giving birth to over one hundred well-respected brand names in areas as diverse as automotives, cameras, consumer electronics, food and beverages, and services.

The Korean automotive industry provides a particularly striking example of how an industry can emerge as a world-class competitor in less than a decade by efficiently "networking" with U.S., European and Japanese companies. From a total output of 123,000 units in 1980, Korean automakers have surged forward to produce 980,000 units in 1987 - with 1.6 million units planned for 1988. The Korean companies sourced designs and parts from overseas -- primarily Japan - while concentrating at home on building manufacturing skills to produce low-cost, high-quality producers.

A number of similar success stories throughout Asia-Pacific (particularly in North Asia) have followed the same pattern. Companies at an early development network stage with corporations in the developed world who have a global perspective and the will to excel and contribute to economic development, in the region. Meanwhile, the domestic companies work meticulously to master skills in one specific area, in which in a span of 3-5 years they gain entry into the "club of the best".

How can Indian companies get involved in this process? Until a clear country strategy is designed, CEOs of Indian companies should begin by asking the following questions:

1. Do I belong to an industry in which India enjoys a natural competitive advantage? Does

my industry fit well with the stage of development of the industrial infrastructure?

2. If so, do I know the costs, capacity position, and quality standards of the top five global players? Could I clearly explain the gaps between their and our costs and quality standards?
3. Do I know their sources of competitive advantage? Could I gain access to the same sources of advantage to close the gaps within a foreseeable timeframe?
4. Could I work with a partner in a give-and-take fashion to build global competitiveness in a segment of my business?
5. Could I meet the critical mass required to build global competitiveness? Do I know how to overcome the minus factors of poor infrastructure, underdeveloped work ethics, etc. ? And could I sustain financial and human resource requirements over a period of time?

The above questions are generic in nature; for maximum effect, they should be tailored to suit specific conditions of each industry. In any case, they are critical questions for the future of India's industry. If my observations are correct, however, very few industry leaders in India have bothered to raise these questions, let alone attempt to answer them.

Indian companies must work to erase their current weaknesses -(i) lack of a global view & competitive intelligence on opportunities, (ii) inadequate strategic thinking, and (iii) poor discipline in implementation plan development and execution.

Managing PD3 in the Most Responsive Way:

Successful companies worldwide have an appetite for solving customer problems and they focus their resources accordingly. Every time Japanese companies have solved customers' problems, they have created new products, thereby sustaining the life of various product families. The classic example is the radio. In the early sixties, American companies viewed the radio as a matured product and started playing the cost game by shifting their production to low-cost makers in Southeast Asia. Japanese companies, however, continued to innovate, bringing new value to the customer by varying sizes and integrating different functions such as recording, time clock etc.

There are two lessons to draw from this example;

Japanese companies benefited directly from their insightful and innovative approach.

Southeast Asian companies gained by becoming efficient OEM suppliers of conventional radios, paving the way for the electronics revolution in countries like Singapore, Hong Kong, Taiwan, South Korea and Malaysia.

In the fifties, India's infrastructure would have allowed us to participate in the electronics industry either as an innovative original manufacturer or as an OEM supplier. Unfortunately, our inward and "quick-profit" orientation prevented us from building a truly competitive electronics

industry. India's myopia has caused us to miss many major opportunities in similar ways. We can only cure it if Indian industry leaders develop the "will" to exploit global opportunities and cultivate a true customer orientation at every level of their organizations.

In designing customer -oriented business systems, companies manage three critical dimensions - product development, product design and product delivery -- so that all of them are geared to provide the customer the best value at a minimal cost. Specifically:

Product development (PD1) begins with the customer, i. e. it must be oriented toward solving problems the customer experiences with the current product, improving the existing functions, and/or providing additional features at the same (or lower) cost.

Product Design (PD2) simultaneously links variables (product specifications) related to the new concept with variables related to new production technologies, striving to keep the manufacturing process as simple as possible.

Product delivery (PD3) focuses on logistics design to ensure that products reach the customer in the most effective fashion, allowing the customer to enjoy the full benefit of the product during its entire life cycle.

#### Orchestrating Resources - Human, Financial and the "Invisibles"

From the boardroom to the factory floor, Indian companies must develop the resilience to deal with environmental changes on a real time basis. Success stories do not stem only from grand strategic plans. Rather, they grow out of management's ability to dream and to share their dreams with their people, mobilizing resources toward a common vision and a shared purpose.

Successful Japanese companies have proven to be masters at managing their identity and values both internal and external to the organization. Japanese corporate leaders devote considerable time to monitoring and accordingly tailoring their corporate image (logos included) so that their image closely reflects their vision and communicates it effectively to people worldwide. Through this emphasis on 'invisible soft factors they drive their companies to gain sustainable competitive advantage worldwide.

In contrast, in India our thinking begins with profit maximization (with the quickest possible payoff), at the expense of some of the fundamental values of "professional businessmanship." If we can learn from Japan to manage "invisibles" and mobilize resources toward a shared dream, we will go a long way toward gaining competitiveness. It is my strong conviction however , based on my limited interactions with the corporate leaders of India, that the next twenty years will witness the rise of a new corporate India, which is professional, customer oriented and above all will put ethics and values at the core in structuring and making choices - soft and hard.

### 3. INDIA TOWARDS THE 21ST CENTURY: SEVEN IMPERATIVES

Looking ahead, as we begin our countdown towards the year 2000, we should work on seven

specific tasks at microeconomic and macroeconomic levels. These seven tasks are what I will call the "so what" or the "Monday morning implications" of this seminar.

#### 1. Quality Management of People:

In order to generate quality ideas, design quality strategies, produce quality-products and provide quality service, Indian companies must create their own "quality environment. " This will only happen when Indian managers establish interfaces with people which consistently demand the highest standards of respect. Toyota, for example, owes much of its success to an overall emphasis on quality, linking cost reduction, quality control and above all respect for customers, suppliers and employees into one integrated concept. I would like to propose that we move beyond Japan's concept of TQC (Total Quality Control) on the factory floor and put in place QCs (Quality Management Circles) focusing on all aspects of management and cutting across all levels of each organization.

#### 2. Customer Orientation/Problem-Solving Mentality:

As previously discussed, all great companies in the world are customer oriented. To instill a genuine customer mentality in India, we must first zero in on manufacturing, launching a "customer comes first" campaign which calls for highest quality and lowest costs.

#### 3. Obsession with Perfection:

For India to emerge as a true global competitor, the top managements of its large corporations must develop a true obsession with perfection, rejecting products which do not meet preset standards, and constantly upgrading those standards to challenge workers to push harder. If top management merely settles for the status quo, our workers will become relaxed, making even current standards more difficult to maintain,

#### 4. Willingness to Change and Experiment:

Top management must constantly demonstrate its own appetite for change and experimentation. In excellent companies around the world, change is a way of life. Average companies, on the other hand, rely on obsolete assumptions and past recipes for success. When my clients (CEOs of large companies in the U.S., Europe, and Japan) ask me what they should be on guard against, my answer is always "status Quo" or "failure to keep in tune with the environment. "

#### 5. Critical Mass (No Compromise):

Success begets success. And success depends on an organization's ability to fully understand and be 100 percent committed to fulfilling all the requirements for success. "If you need 10 high-caliber engineers to produce product X, you'd better have 10," said one CEO I know, "Trying to make do with 9 instead of the 10 you know you need, means you do not believe in your own analyses." I think one of our biggest problems is that we do not give due respect to "critical mass".

#### 6. Supportive Infrastructure/Environment:

To become internationally Competitive, India needs to debottleneck its logistics and delivery systems. This will not only require major improvements in India's infrastructure, but also an upgrading of government-industry interfaces. If we can streamline our approval processes, eliminate red tape, and move away from excessive regulatory control, we will encourage positive attitudes, a proactive approach and an entrepreneurial spirit to accelerate the development process at all economic echelons

#### 7. Innovative and Dynamic Incentives and Industrial Policies:

As discussed earlier, we need to define our economic strategy and tailor our policies and incentive schemes accordingly. Industry associations might begin the process by organizing regular industry-government dialogues, which would undertake a systematic analysis of critical problems and brainstorm their solutions.

If we follow through on these seven initiatives, we will put in place the micro and macro economic dynamics required to develop a consensus on our future direction, and cultivate the courage to make India a truly competitive economy. The time for action is now, and each one of us can make a difference. Let's pledge to work together, starting today, on building an India we can all be proud of.

Thank you.