The Business Environment – The globalization of business and changes it has brought about in the role of Manager

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Abstract

The economy of India had undergone significant policy shifts in the beginning of the 1990s. This new model of economic reforms is commonly known as the LPG or Liberalisation, Privatisation and Globalisation model. The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies of the world. Changing profile of business environment in India in the wake of globalization of the business has impacted Indian businesses and has also brought change in the role of manager.

KEYWORDS: Globalization, Role of Manager, Customer, Product cycle theory

INTRODUCTION

This paper deals with the changing profile of business environment in India in the wake of globalization of the business. It deliberates on what does globalization mean, when did it start, how has that happened and how it would continue to impact Indian businesses, what are current and future challenges, how and what change it has brought about in the role of manager. The globalization of business has massive impact of the mindset of Indian manager. Earlier, Indian businesses were happy and content with domestic market. With huge population base, Indian businesses did not have to look for markets outside India. Neither did transnational companies were enamored with Indian market. Prior to rolling out the 'LPG – Liberalization, Privatization and Globalization' in year 1991, Indian business was operating in strict regulatory, restrictive and rather protective confines. All that has changed and Indian businesses are now open to global challenges. It is indeed an avalanche of massive change. Indian businesses that could ride over this wave of change have prospered and those who could not do so have withered away. The globalization of business is now irrevocable. Globalization is primarily an economic process of integration which has social and cultural aspects as well. It involves goods and services, and the economic resources of capital, technology and data *(1).Obviously, it has impacted the role of Indian manager and the profile of Indian business manager. The change demands specific managerial competencies. The success of manager depends upon the managerial competencies that he/she brings in while discharging his/ her responsibilities.

The globalization of business and changes it has brought about in the role of Manager

It is the age of globalization of business. Simply speaking globalization would mean businesses all over the world integrate with world economy setting aside the political boundaries and encompassing world as one huge market. In the process of globalization, trade barriers among countries have almost ceased to exist and competition has become a core challenge for any business anywhere in the world - the world has become a global village. At a company level globalization means:

I. Multi-locational manufacturing across different countries,

II. Marketing & selling products across the world with competition in domestic and international markets,

III. Procuring raw material and technologies from across the world,

IV. Managing diversities in terms of employees, customers, governments, suppliers, financiers and the like,

V. Despite multiplicity of units/locations drawing on a common depository of resources such as people, finance, patents, trade names, technologies – all linked by a common ownership, shareholding and shared unified strategy.

What are reasons that gave rise to this phenomenon of globalization? There are several reasons such as:

I. The realization that domestic markets are no longer adequate and the need to find markets beyond one's own country is one such reason among others. For example, Japanese cars started flooding American market as the market in Japan was not enough for the manufacturing facilities that were created in Japan. Conversely, inadequate supplies of quality products in a given country make it look for required product elsewhere in the world.

II. Rapid shrinking of distances due to faster modes of transportation, faster communication, rapid technologies that could shrink world and make flow of finances across boundaries.

III. A theory propounded Raymond Vermon way back in 1960s called "Product cycle theory" explains why companies go international and it is still relevant. It postulates: Companies develop innovative new products and sell them in their home country first. Sooner other countries get to know this innovative product and want to use it. The products travel beyond the home country and soon become popular. The market becomes larger – transnational.

IV. Conversely companies develop product in one country, try it out and launch in other countries.

V. An industry goes beyond country for the resources abroad. For example oil & gas exploration. Oil companies go global for exploration as sites in a given country get exhausted. ONGC Videsh Ltd. is one such example. Steel - by Mittals is another example.

VI. For foreign investments H Levy and M Sarrat proposed yet another theory. They compare companies that acquire foreign production facilities to investors who diversify their portfolio of investments.

Much as investment portfolio is usually designed to protect its owner from fluctuations in the value or return, so do the foreign direct investments lets a company construct a portfolio which would have optimal returns.

VII. Information Technology companies like Infosys, Wipro stated with Indian base and have gone overseas – set up offices in several countries to be closer to their customers whereas BPO-Business Process Outsourcing companies set up offices in India to utilize cheaper but competent human resources and be cost effective.

VIII. High Tech companies like GE considered India is excellent country for Research & development base for competent people available at much lower costs. GEs strategy has now been 'Reverse innovation' – develop product in India, test it here and productionize it in different countries where good customer base is available.

IX. India and China are world's most populated countries with humongous customer base for almost any product especially FMCG - Fast Moving Consumer Goods sector. No doubt world best FMCG companies – Hindustan Unilever, Samsung, Nokia, LG and the like came to India and grew with Indian government's liberalized policies.

X. India has become world's automobile hub for the reason of efficiencies of cost. The competition can best be faced with such cost efficiencies. Manufacture or assemble in India not only for Indian consumption but for exports to countries abroad has been the excellent business strategy on part of giant Korean, Japanese, Germany and Italian car makers who have set up huge manufacturing facilities in India.

As such geo - political boundaries have almost disappeared when it comes to business. Huge ideological differences get set aside when it comes to transacting business across boundaries. Otherwise how could China get the MFN – Most Favoured Nation status in United States of America? While China and India have age old hostilities and major political differences over boundary and tracts of land, several Indian organizations have set up big businesses in China. Similarly, China has been partner in one or the other manner in several Indian businesses..The business and trade, the globalization of business has shrunk boundaries for business and trade and this has given rise to intensified spiral of competition. The globalization has changed the way business has to be conducted. There is hardly any business which enjoys monopoly that was prevalent in yesteryears. Competition has become the common denominator of the business and the sustainability of the business solely depends on the competitiveness. The customer is the king and what he/she is willing to pay for the product/service is what determines the success of any business.

Indian business has experienced radical and rapid changes since independence. Way back in 1947, the national leaders placed emphasis on economic socialism. With this ideology and principles of equality, socialism, the business was far more controlled and regulated. The growth was moderate. The Indian goods were not of international quality and non competitive in global market place. Added to that scenario, international prices of oil always created balance of payment crisis.

Indian business was not on global map. Then came the economic liberalization in 1991 which has been as historic as the independence from the British rule. Monetary, fiscal, international trade, foreign equity participation, exchange rate and several such policies created a more competitive environment that improved efficiency and productivity remarkably and enabled Indian companies to enter international market. India's massive population provided and continues to provide huge market potential to the world. Added to the huge markets for goods produced, the liberalized policies in investments, availability of quality manpower, and efficiencies of costs have put India on world map for investments. Foreign direct investment – FDI has become one of the proud parameters of Indian economy. The economic growth in India has truly achieved a turnaround. India's role as a driver of worldwide economic growth has been recognized.

This situation of Indian business and India's place in world economy demands new leaders at all levels of management. Indian businesses realized that the talent needed to run and manage the behemoth organizations requires continuous development. The Management Competencies thus become the focal point. In such a fiercely competitive environment there are multiple challenges for managers such as managing costs, being continuously innovative, the speed and agility in all business processes, managing employees and motivating them continuously for better performance, unlearning old technologies and processes and learning new techniques/technologies and the like. In performing the managerial role and responsibilities, a manager has to possess certain managerial competencies and hone his/ her competencies continuously.

CONCLUSION

In today's competitive business environment which is no more confined to a state or country, it is becoming particularly important to build on the competitive strength of the business. Business dimensions are changing fast. The business has not only to survive but grow continuously in terms of market, business turnover, profitability and all such other parameters. The growth itself has become strategy for survival. To draw a simple analogy, managing business has become like riding a bicycle – staying slow and steady is sure to fall, keep pedaling and you keep going on.

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