

Strategic Firm Response to Developing Economy Challenges

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Global Business Review

12(1) 71–85

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SAGE Publications

Los Angeles, London,

New Delhi, Singapore,

Washington DC

DOI: 10.1177/097215091001200105

<http://gbr.sagepub.com>



Abstract

Michael Porter describes economic development as a continuous process of upgradation of the competitive position of the country. During the economic development process the macroeconomic foundation of the economy and consequently the business environment of the firm experience paradigm shifts on a continuous basis. This results in newer challenges to the firm at every stage. This article attempts to capture the strategic shifts that firms are required to make in each of the stages to gain and sustain competitive advantage.

After describing the stages of economic development—factor-driven economy, investment-driven economy, innovation-driven economy and wealth-driven economy—and classifying the firm in terms of its external linkages, the article explores the strategic response that a firm would need to make under different situations. The article argues that the strategic response would depend on the type of the firm, its resource endowments and the stage of the economy. The responses are mapped through four dimensions: (i) Managing the Supply-side, (ii) Managing the Demand-side, (iii) Managing the Conversion Process and (iv) Changing the Business Model.

After describing each, the article analyses a set of cases to explore deeper insights about the relationships between the stages of economic development, pre-conditions and the choice of strategies.

Keywords

Firm strategy, economic development, competitive advantage

Introduction

Preamble

The Industrial Revolution came pretty late to the underdeveloped countries; mostly in the post-World War II era. The developed countries had experienced this stage more than a century earlier. Consequently, the pace of economic growth and development differed significantly. Many of the underdeveloped countries, as part of their economic development policy, embarked on policies of promoting export-oriented industries as well as import-substituting industries. The former policy focused on earning foreign exchange while the latter focused on conserving it; both policies aimed at building competitive advantage.

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As these countries moved up the ladder of economic development, the challenges the firms faced kept changing. Initially it was about mobilizing the primary resources; later it was about achieving productivity; still later it was about facing international competition. By the beginning of the twenty-first century some of the underdeveloped countries have achieved a fair amount of economic development and are increasingly linked to the global economy. Consequently they have begun to experience the phenomena of increase in income, living standards and purchasing power, increase in wage-rates as also domestic currency appreciation. The firms in these transition economies would need to re-invent their strategies in sync with the emerging scenario to shore up competitive advantage or else the firms would suddenly find their operations unsustainable.

This article is an attempt to explore the strategic shift that the firms would need to make to adjust to the emerging challenges and ensure long-term sustainability.

Literature Review

A nation's prosperity depends on its competitiveness (Porter, 1998a, 1998b, 1998c, 2004, 2008, 2009), which in turn is a reflection of its capability of making goods and services. The macroeconomic foundations of an economy—consisting of the social infrastructure, the political institutions as well as the macroeconomic policy framework—create the necessary environment and potential for high productivity, but they are not sufficient conditions. In order to ensure productivity and competitiveness, microeconomic foundations of the economy—consisting of the quality of national business environment and the sophistication of the firms' operations as well as strategies—also need to be nurtured. These aspects have been studied in detail by Porter in generic format (Porter, 1998a) and with specific reference to individual countries.

Ficker (2000) has documented the experience of the largest American firm in Mexico from 1850 to 1880, when Mexico lacked the socio-political infrastructure and the macroeconomic conditions to attract foreign investment; neither could it finance the project on its own.

During the transitory phase of development, the macroeconomic foundations of the nation and consequently business environment would experience paradigm shifts continuously, resulting in a variety of newer challenges to the firm at every stage. This aspect has not been explored adequately in the existing literature. This article therefore attempts to focus on this aspect.

Scope of the Article

The focus of this article is firms operating in developing economies going through a stage of rapid growth and development over medium to long-term horizons. The article explores the strategies that firms employ in each of the situations and also the structural elements of such strategies.

Certain aspects that will influence the strategic choice are:

- a. Changes in the macroeconomic and microeconomic conditions.
- b. Competitive pressures.
- c. Purchasing power. Products and services would have to be re-oriented to make them affordable to the market segments.

- d. Appreciation of the domestic currency on a medium to long term basis resulting from the rapid economic development of the economy.

The framework of analysis would study all these in a comprehensive manner.

Premises

The ownership of the firm may be domestic, foreign or multi-national. All that is relevant to this article is that the firm has significant operations in the transition economies. Very often it is the transitive nature of the economy that causes the challenges; this in turn impacts the strategies of the firm.

Steady economic development and growth over a medium to long-term horizon would automatically trigger structural changes in the competitive environment. To cope with the emerging situations, the firm may have to embark on structural changes; short-term strategies alone may not be adequate.

The Development Process

Porter, through the diamond factor model and the four stages of economic development (Porter, 1998a) describes economic development as a continuous process of upgradation of the competitive position of the country. The four stages of economic development are shown in Figure 1 and their salient features are described in Table 1. In the factor-driven stage, because of the low level of accomplishment of the

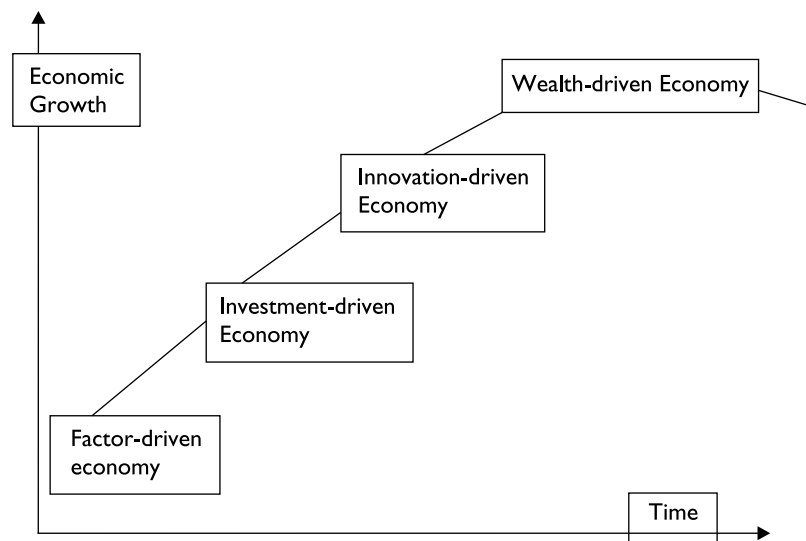


Figure 1. Stages of Economic Development Vs Growth

Source: Adapted from Porter (1998a) by the author.

Table 1. Stages of Economic Development—Salient Features

	Characteristics of the Stage	Pre-conditions/Facilitation for Growth	Challenges/Concerns
<i>Factor-driven Economy</i>	<ul style="list-style-type: none"> • Macro-economic foundations of the economy: LOW • Micro-economic foundations of the economy: LOW • Aspiration Level: LOW 	<ul style="list-style-type: none"> • Abundance of natural resources • Labour availability • Govt. as Entrepreneur 	<ul style="list-style-type: none"> • High susceptibility to global factors • Dependant on rest of the world for critical inputs
<i>Investment-driven Economy</i>	<ul style="list-style-type: none"> • Macro-economic foundations of the economy: LOW to MODERATE • Micro-economic foundations of the economy: LOW to MODERATE • Aspiration Level: HIGH 	<ul style="list-style-type: none"> • Mobilization of Investments and Technology • Pro-active policy regime and governance • Up-gradation of skills of people 	<ul style="list-style-type: none"> • Accessing global markets • Creating skilled manpower • Capital formation
<i>Innovation-driven Economy</i>	<ul style="list-style-type: none"> • Macro-economic foundations of the economy: MODERATE to HIGH • Micro-economic foundations of the economy: HIGH • Aspiration Level: HIGH 	<ul style="list-style-type: none"> • Institutions of Excellence • Significant Investment in R & D • Industry Academia Networking • High quality human resources 	<ul style="list-style-type: none"> • Global Competition • Global Brand Building • Global Leadership
<i>Wealth-driven Economy</i>	<ul style="list-style-type: none"> • Macro-economic foundations of the economy: HIGH • Micro-economic foundations of the economy: High • Aspiration Level: LOW 		<ul style="list-style-type: none"> • Declining growth rates • Losing leadership

- **Macro-economic foundations:** a. Infrastructure, social & financial b. Supporting Industry, Entrepreneurs and Business Leaders. c. Technology. R & D. d. Skilled Manpower. e. Per capita Income/Purchasing Power.
- **Micro-economic foundations:** a. Quality of national business environment. b. Strategic capabilities and competencies of firms

Source: Compiled by the author.

various factors and conditions, a developing economy is highly susceptible to external factors. The competitive advantage of the economy will be at its lowest. Most of the Afro-Asian and Latin American countries in the early fifties are examples to this situation. Similarly, India in the 1950s is a classic example of this situation.

In the investment-driven stage, having accomplished certain levels in the factors and conditions, including proactive government policies (Wickham, 2005), the country is able to achieve variety, volume and quality in the goods and services being generated. Even though the income levels and wage-rates have gone up, in all probability, the economy would retain the benefit of wage-arbitrage. The economy would be steadily building up its competitive position. Its share of the international business could be rising and it would attract a lot of investment from abroad. Susceptibility to and dependence on external factors would be relatively less. Japan in the late 1960s and South Korea in the late 1970s are examples to this situation.

When productivity improvements and infrastructure upgradations have crossed a stage of maturity, further competitive advantages can be created only through innovations. With competitive pressure, each firm tries to find a space for competitive advantage through re-inventions, brand-building and other forms of innovation. This is the innovation-driven stage. The competitive forces would be global rather than national. The country would be characterized by global presence in terms of global brand perception, financial strength and increased share of the international business. This could imply a steady appreciation of the domestic currency. Japan in the 1980s and South Korea in the 1990s are examples of this situation.

The wealth-driven stage, like the decline stage in the product life-cycle, is characterized by a fair amount of prosperity and low drive and aspirations among the citizens, leading to complacency and decline in the growth rates. This will be accompanied by stabilization and decline of population growth. Developed countries with smaller populations are likely to reach this stage faster; countries like India where the population is large, heterogeneous and each segment of the population has a different demographic life-cycle, this stage is likely to come about much more slowly.

Transition economies going through the investment-driven stage and the innovation-driven stage are likely to experience growth in income level, purchasing power and wage-rates as also currency appreciation (Singhal, 2007; Mohatarem, 2003). These are reflections of the movement of the economy to higher stages.

Impact Analysis: Type of Firm

Firms can be classified in terms of their interactions with the environment. The intensity of interactions with the external world determines the relevance of the strategic re-orientation that the firm needs to bring about. This is described in Table 2.

1. *Type-1 firms*: These are domestic firms totally dependant on domestic resources and domestic customers. They are generally immune to currency fluctuations and other external events. In an increasingly interconnected world, the number of such firms would be small. Even small and medium enterprises are dependant on imported inputs like petroleum, fuel oil, imported raw materials, etc.; similarly, their outputs go in as inputs to other firms that export their produce. They

Table 2. Firm & Environment, Classification of Firms

Arena of Operations of the Firm	Type of Firm	Procurement of Inputs from Outside the Economy [Imports]	Marketing of Outputs Outside the Economy [Exports]	Impact of Currency Appreciation on Value Addition	Relevance of Strategic Re-orientation
Only in one transition economy	1	Insignificant	Insignificant	Insignificant	Low
	2	Significant	Insignificant	Positive	Moderate
	3	Insignificant	Significant	Negative	High
	4	Significant	Significant	Mixed	Very High
In all type of economies	5	Significant	Significant	Complex	Very High

Source: Developed by author.

may not be importing or exporting directly, but they are part of a larger chain through which the impact of currency fluctuation will be felt. At best it can be said that the impact is insignificant and hence the need for strategic re-orientation is minimal.

2. *Type-2 firms*: These are firms that import a substantial portion of their inputs, while the outputs are marketed domestically. In the event of domestic currency appreciation, imports would be cheaper, while exports would become more difficult. In such a situation, it will be beneficial for the firm to minimize the value addition in the domestic currency area; outsourcing becomes a profitable proposition.
3. *Type-3 firms*: Firms that export most of their produce but depend heavily on domestic resources come under this type. In the event of currency appreciation, each unit of foreign currency earned fetches fewer units of domestic currency. They suffer value-erosion and thus lose their competitive advantage and profitability. They would need major strategic re-orientation.
4. *Type-4 firms*: These are firms with significant imports and exports. When the domestic currency appreciates, such a firm would be subjected to diverse impacts. The effective impact—whether the firm is a net importer or exporter—will have to be mapped carefully and this would lead to strategic re-orientation. If it is a net importer, it becomes a Type-2 firm; if a net exporter, it becomes a Type-3 firm.
5. *Type-5 firms*: These are global or multi-national firms with operations in many countries and in many currencies. They are susceptible to a whole variety of uncertainties in much higher magnitude than the other types of firms. Such firms need to be flexible and nimble-footed to manage the emerging situations continuously. Managing the situation of currency appreciation in one country is only a small subset of the overall management of any multi-national corporation. The resources available with an MNC and its ability to withstand any crisis are far above those of firms operating in a single country. In view of these, such firms are kept outside the purview of this article.

The type of firm gives a clue as to the nature of the impact the firm is likely to experience under currency appreciation; hence the broad categorization of strategic prescriptions. The degree of complexity is minimal among Type-1 firms; it is definitely higher in Type-2 firms. In the case of Type-3 firms, the impact depends on more variables and hence is more complex. In Type-4 and Type-5 firms there are more dimensions to be looked into and hence the degree of complexity is far higher.

Strategic Response of Firms

The strategic response of the firm would depend on the type of the firm, the resource endowments of the firm, the stage of the economy, etc. These can be mapped effectively through four dimensions of (i) Managing the Supply side, (ii) Managing the Demand side, (iii) Managing the Conversion Process and (iv) Changing the Business Model of the firm. These four dimensions are shown in Figure 2.

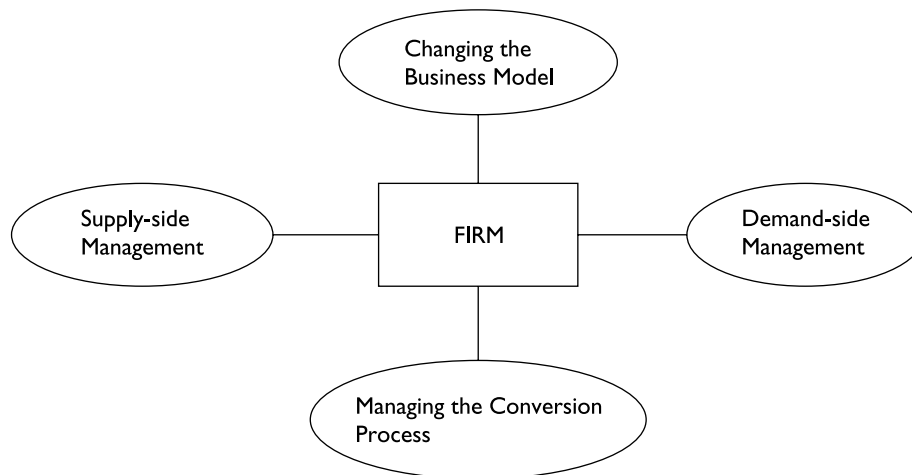


Figure 2. Dimensions of Firm's Strategic Response

Source: Developed by the author.

Managing the Supply Side

This strategy is relevant when the cost of inputs go up resulting in value-erosion and decline in competitive advantage of the firm. Such situations can be caused by one or more of the following: increasing demand for the inputs, increasing price of the inputs, increasing domestic wage-rates, domestic currency appreciation, etc.

In 2007, the Indian Rupee appreciated to the extent of 15 per cent and many Indian firms engaged in making denim fabrics with cotton yarn from India found their profits being eroded. Some of them realized the reason and resorted to importing of yarn from other countries (where the currency appreciation was less) and salvaged the situation significantly. Outsourcing of garments manufacture is another example. Garments manufacture involves a high element of labour content. When the domestic currency appreciates, the labour content gains in value; a manufacturer would shift his manufacturing base to a place where the value of the labour is relatively less.

The Japanese automobile firm Honda has been exporting automobiles to the USA since the 1960s. In the 1980s when the Japanese Yen started appreciating, it did not make economic sense to manufacture the automobile in Japan using the costly Yen and sending it to US to fetch the less valuable Dollar. This was one of the factors that influenced Honda's decision of setting up manufacturing facilities in the US to cater to the local demand (Mohatarem, 2003).

In all these situations, value addition needs to be computed in terms of the currency earned. If the output is invoiced in US\$, then the value addition must be computed in US\$. In the case of Honda, therefore, the value addition must be computed in US\$. With the Yen in appreciation, the value addition would have been less if the automobiles were produced in Japan and exported to the US. This gave a tangible reason to shift the manufacturing base to the USA. *In all such situations the firm's strategy will be to ensure that the value addition does not decline.* The case of GHCL illustrates how the firm managed its supply-side to sustain its competitiveness (Annexure 1).

Managing the Demand Side

Another method of retaining the value-addition is to explore the prospect of fetching better prices for the output. This can be achieved by:

- a. *Marketing the produce to countries where the currency is stronger than the domestic currency.* Transition economies are likely to face the situation of currency appreciation. In such situations this strategy would be relevant.
- b. *Invoicing the exports and imports in appropriate currencies.* Generic strategy would be to invoice imports in a weaker currency and invoice exports in stronger currency. This strategy would work in the short-term when currency movements are transient; in the long run the strategy would need a lot more attention. Besides, in matters of international trade the opposite party also has a significant say in the choice of currency.
- c. *Market segmentation.* The initiative would increase the value-addition through re-branding, re-packaging, re-positioning, etc. Maruti Udyog Ltd (MUL) was producing only the lower end models till the 1990s. When the market became competitive and price-increase for the lower end models was no longer feasible, MUL started exploring the prospect of producing and marketing higher-end models. This called for market segmentation and catering to the needs of niche segments. This enabled the firm to fetch better price realization and thereby better value-addition. This is a process that firms keep on doing continuously to ensure improved value-addition.
- d. *Targeting markets where the volumes would compensate for the marginal decrease in price.* An example would be the case of shampoo being marketed in sachets to the lower income groups. Earlier the price of the pack prevented the shampoo becoming popular among the lower income groups. With shampoo being available in sachets at affordable prices, the lower income groups could buy it easily. This enhanced the sale of the shampoo, substantially leading to scale economies in production and marketing. This is the principle of marketing to the Bottom of the Pyramid (BOP) (see Prahlad, 2005). Irrespective of whether there is a decrease in price or not, the overall sales go up significantly resulting in scale economies and profits. In situations of currency appreciation the firm can explore marketing the product to segments where there is substantial demand with appropriate modifications in pricing or packaging strategies. The firm can hope to compensate the increase in input costs through scale economies. A pharmaceuticals company making a life-saving drug found its margin being squeezed by the currency appreciation; it explored the hitherto unexplored third-world markets and increased the volume of sales substantially, resulting in scale economies and sustaining margins. This strategy thus finds alternative markets that are fairly large and captures a sizeable share.

Managing the Conversion Process

When the market situation becomes competitive, a firm would need to minimize the conversion costs and achieve competitive advantage. The strategies in this direction can be employed at many levels.

- a. *Level-1: Focus on the input materials and their utilization.* Through design changes and technical improvements the firm can improve material productivity and achieve economy. Through design improvements it can switch over to economic materials also. The electric motors that we see today are smaller and lighter than those of the same capacity a decade back. The air-conditioners of earlier years were bulkier and heavier than their counterparts of today. Introduction of lighter, cheaper and better materials have brought down the bulk, weight and cost of air-conditioners over the last few decades.
- b. *Level-2: Focus on the processes to achieve better productivity.* Through technological improvements the firm achieves better productivity in the internal processes. This could be in the form of simplification of the processes, reduction in the number of operations, partial or full automation, better machines, higher capacity systems, and so on. Such improvements have become possible with increase in the volume of output and the consequent scale economies.

The internal processes can be reviewed from the point of view of value-addition vs replaceability (Stewart, 1997). Processes that are difficult to replace and high in value-addition make the firm unique; hence they must be capitalized upon. Some of the critical parts in an automobile engine would require special technical and managerial attention while manufacturing; they may be of high value also. Such components are never outsourced; the manufacturer would only produce them in-house. Processes that are easy to replace, but have high value-addition can be given out to specialized vendors. Specialized vendors are identified and long-term strategic tie-ups are made to ensure quality; they are good candidates for outsourcing. There may be processes that are difficult to replace, but have low value-addition; these have to be retained within the organization. The difficulty in replacement can be due to intricacies in manufacture or it could be due to strategic reasons. Processes that are low in value-addition and can be replaced easily are candidates for automation. The resulting situation is shown in Table 3.

Table 3. Value Addition Vs Replaceability

		Extent of Value-addition	
		Low	High
Ease of Replacement	Difficult	INFORMATE	CAPITALISE
	Easy	AUTOMATE	OUTSOURCE

Source: Stewart, 1997.

- c. *Level-3: The firm may opt for higher scale economies.* In a growing market it is common to increase the capacity and achieve economies of scale and the benefits therein. The first entrants in any market tend to employ this strategy to enhance their competitiveness and to create entry barriers to the new entrants.
- d. *Level-4: Moving up the value-chain.* As a firm gains capability and confidence in its domain of business, it is customary to produce and market value-added products and thus ensure better

profits and also achieve better competitive advantage. By moving up the value-chain, the firm is beating competition and ensuring better margin; this is also a hedge against the value-erosion likely to come through currency appreciation.

- e. *Level-5: Increasing the knowledge intensity.* Another method of achieving competitive advantage is to enhance the knowledge intensity of the firm, its processes and its products. In the business of washing machines, for instance, the earlier products were relatively dumb; as the competition increased more intelligent or automatic machines were introduced that addressed special requirements of the customers in terms of the type of fabrics being washed, water being used, time of processing, customer-friendliness and a host of other factors. Many of the manufacturing processes became knowledge intensive ensuring better safety, productivity and economy. The investment that organizations have been making in information technology and in enterprise systems are examples of making organizations and processes more knowledge intensive. Such attempts manifest in the knowledge intensity of the products, processes or people within the organization. Knowledge intensity becomes the basis of competitiveness. R&D intensity in pharmaceutical firms is a typical example of this phenomenon.
- f. *Level-6: Increasing the service quality of the firm.* In many situations it is the service quality that makes the difference and competitive advantage of a firm. This is achieved through better service orientation of the employees, re-orienting the organization and implementing customer relationship management (CRM) initiatives.

Changing the Business Model of the Firm

The quest for enhancing the competitive advantage and achieving a better competitive space leads firms to explore strategies in multiple dimensions too. What has been discussed so far are strategies of firms with respect to one of the dimensions, namely supply-side, demand-side or conversion process. However, the firm could be formulating a strategy involving more than one dimension simultaneously. This would have the impact of altering the business model of the firm. With changing environmental and economic situations the firm's business model cannot afford to be static. The firm needs to re-invent its business model continuously to achieve competitive advantage. The cases of Samsung, Tata Ryersons, Tata Nano and Aravind Eye Hospital are examples (Annexure 1).

Critical Learning from the Cases

Table 4 lists the basic elements of sustainability and success of the cases. A careful scrutiny of the cases yields a set of interesting inferences.

1. There is a gradual increase in complexity and sophistication of the economy from the factor-driven stage to the innovation-driven stage. In terms of the mechanics of execution the supply-side management is the least sophisticated. Demand-side management is a bit more sophisticated with inherent dynamics of pricing, market segmentation, demand patterns, purchasing power, buyer behaviour, etc. Managing the conversion process involves technological and managerial aspects; its level of sophistication is comparable to or more than the demand-side management. Changing

Table 4. Analysis of the Cases

Case	Dimensions of Strategic Response				Stage of Economic Development
	Managing the Supply-side	Managing the Demand side	Managing the Conversion process	Changing the Business Model	
GHCL	Vendor alignment	Aligning production units to market segments based on exchange-rate variations	Not focused in the present case	Not focused in the present case	Factor-driven Economy
Samsung	Not focused in the present case	Not focused in the present case	Significant focus on Design as Competitive asset	Focus on a new perspective and new culture.	Innovation-driven Economy
Tata Ryersons	Not focused in the present case	Not focused in the present case	Value addition CRM Networking K-Intensity	Significant focus	Innovation-driven Economy
Tata Nano	Vendor Orientation/ Relationships	Redefining the market segment & Catering to its aspirations New Product specs Pricing strategy	New Design New Processes	Significant focus	Investment-driven Economy & Innovation-driven Economy
Aravind Eye Hospital	New Vendor alignments/ relationships Created own facility for making IOLs	Increase access to thro pricing.	R&D Scaling up Scaling up Cost-reduction through innovations New processes Training and Manpower alignment	Significant focus	Innovation-driven Economy

Source: Developed by the author.

the Business Model envisages strategies on more than one dimension and hence is far more sophisticated than all the others. Among the cases also we see this demarcation: GHCL employed supply-side management in a situation of factor-driven economy. The Tata Nano case relates to the interface between investment-driven or innovation-driven stages. Samsung has overhauled its business model in the innovation-driven stage. *There appears to be a natural hierarchy of relevance of each strategy to a specific stage of the economy.* This is summarized in Table 5.

Table 5. Relevance of Strategy to Stage of the Economy

Stage of Economy	Strategies Relevant to the Strategy	Cases
Factor-driven economy	1. Supply-side mgt 2. Demand-side mgt	GHCL
Investment-driven Economy	1. Demand-side Mgt 2. Managing the conversion process	Tata Nano
Innovation-driven Economy	1. Managing the conversion process 2. Changing the Business Model	Tata Nano, Aravind-Eye Hospital, Samsung Tata Ryersons

Source: Developed by the author.

- The shift in complexity is a reflection of the changing patterns of the enabling conditions (in the diamond factor model), that occurs in developing economies. Like the strategies, the enabling conditions too relate to specific stages of the economy. These enabling conditions can be summarized into two broad categories: (i) *Demand conditions* pertaining to the environment and (ii) *Capability conditions* pertaining to the firm. Table 6 captures their *inter se* relationships.

Table 6. Enabling Conditions

Strategy	Relevant Stage of Economy	Pre-conditions
Supply-side Management	Factor-driven Economy	1. Alternate sources with different features. 2. Ability to reach/service them.
Demand-side Management	Investment-driven Economy	1. Scope for market segmentation with different <ul style="list-style-type: none"> • Expectations of need fulfillment • Value propositions • Purchasing power • Price preferences • Size of each [volume]
Managing the Conversion Process	Investment-driven Economy	2. Capability to cater to the sensitivity of each. <ul style="list-style-type: none"> • Firm's access and capability for technological innovations in materials, products and processes • Existence of R&D set-up, Design capabilities etc.
Changing the Business Model	Innovation-driven Economy	<ul style="list-style-type: none"> • Existence and understanding of the market situation [Demand Conditions] • Capability to conceptualise and implement. [Capability conditions]

Source: Developed by the author.

3. Higher order strategies may not be applicable when the economy is at a lower stage; but lower order strategies may have relevance and can easily be implemented even when the economy is at a higher stage. For instance it may be difficult to implement Changing the Business Model in a factor-driven economy but implementing Supply-side Management in an innovation-driven economy may be quite feasible.
4. As the economy moves up, the relative significance shifts from demand conditions to capability conditions. In the early stages (factor-driven stage, for instance) the economy is more dependant on what is available; there is less focus on the capability of the firm. As the economy moves up (in an innovation-driven economy for instance), the situations and scenarios are very often created through deliberate efforts of the firm; this can be seen in the case of Samsung and Tata Nano.
5. In the process, the basis of competition and competitive advantage also moves up in terms of skills, technology, knowledge and culture.
6. As the economy moves up, the linkages of the firms in the economy tends to be increasingly global resulting in:
 - a. Benchmarking of products, processes, customer-expectations of facilities and features.
 - b. Competition tends to be international rather than domestic, requiring more attention to branding, packaging, design, aesthetics, pricing, etc.
 - c. Collaborations, tie-ups, etc., tend to be international to cater to the heightened expectations.

Epilogue

By the close of the twentieth century many of the underdeveloped countries have started catching up with the second wave of industrial revolution and third wave of the information age. This process is the result of significant enhancement of technical and managerial capabilities of the firms within the nation and the consequent upgradation of the capabilities and resources of the nation. This process has started pushing those nations to higher rungs of economic development with the consequence of higher competitiveness. This is bound to increase the purchasing power of the citizens, increase the wage-rate prevalent in the country and enhance the exchange-rate of the nation's currency. Such movements could be transient initially, but as the nation enhances its competitive position on a real and long-term basis, the upward movement of the parameters would also be real and long-term.

Increase in wage-rate and exchange-rate appreciation would put downward pressure on the competitive advantage of the firms. Each firm will have to proactively re-orient itself to sustain its competitive advantage in such situations. The strategies outlined in this article become more significant in this context.

Annexure I

Brief Summary of Cases studied and developed by the author.

The Case of GHCL

GHCL, a company of Sanjay Dalmia Group, India, had interests in Soda Ash and Home-Textiles. Soda Ash was an industrial product and needed B2B marketing; Home-Textiles need to be retailed. Home-textiles were manufactured at Vapi, near Mumbai, India and at three locations in the US. The firm had acquired Rosebys, a retail chain with 300 outlets in the UK through which home-textiles were retailed.

The input materials for the home-textiles came from India, Cambodia, Pakistan, China, Turkey and Mexico. During January to October 2007, the Indian Rupee (INR) appreciated by 12 per cent vis-à-vis the US Dollar while the currencies of Cambodia, China, Pakistan, Turkey and Mexico appreciated between 1 to 5 per cent. GHCL procured most of its inputs from the latter group of countries to minimize the impact on its bottom-line.

In 2008, the firm had plans to market home-textiles in India also. If INR appreciation continued, the firm planned to market its output in India from Vapi only, while output from other plants would cater to the US and European markets. On the contrary, if INR declined then the output from Vapi also could be exported.

The Case of Samsung

The case of Samsung illustrates the transformation of a firm in sync with the changing macroeconomic situations. When the South Korean economy was in its early stages of development, Samsung was in the business of exporting traditional products. As the economy gained in sophistication, the firm added products that were in sync with the emerging technological capabilities in the economy. In the early 1990s Kung Hee Lee took over as the Chairman of the firm. He observed that despite a long history and the technological achievements in the past, the firm's products were not perceived to be among the top notch of the industry (Luke, 2006). He systematically rectified this situation by building up the design capability of the organization (Rocks and Ihlwan, 2004). In fact, he considered design as a strategic asset and built the firm's brand through innovations, knowledge enrichment and inculcating a new culture and philosophy around design and other softer aspects (Verganti, 2006).

Tata Ryersons Ltd.

The case illustrates how a comprehensive organization networking with a number of steel producers, downstream intermediate producers and end-users can work for the benefit of all; how it can bring about cooperation even among competitors; how diseconomies can be minimized. This firm was technologically rich, knowledge-intensive and structured around innovations. The firm became a giant service organization significantly enhancing the value proposition to all those engaged in the value chain of the steel industry.

Tata Nano

Tata Nano stands out as the world's lowest-cost car at US\$ 2500 per unit. The car was conceived to fulfil the aspirations of the lower middle-class Indians who could not afford the conventional automobiles available in the

Indian market. Ratan Tata, Chairman of Tata Motors Ltd fixed the price of the car at ₹ 100,000 and worked backwards to make this dream car a reality. In achieving this, the firm relied heavily on technological innovations, manufacturing innovations and to some extent, financial innovations. Since the market segment that Tata relied on was huge and was not served by any comparable product till then, the firm was assured of perennial demand for the product. Truly the case demonstrates a strategy relevant to the innovation-driven economy.

Aravind Eye Hospital

Aravind Eye Hospital is an example of how sophisticated and hence costly eye-care can be made available to the lower-income group at affordable prices. The success of Aravind Eye Hospital lies in revolutionizing the concept of eye-care by making such facilities available to a large number of patients at unbelievably low prices. This has been possible through innovations in every operational aspect of eye-care, through a philosophy of dedication and through proper training of the personnel.

Source:

On GHCL

Economic Times (2007).

On Samsung

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