

Theories of international trade



No: 1 BPO – BANE OR BOON ? Answers: 1. Which of the theories of international trade can help Indian services providers gain competitive edge over their competitors? 1. Suggested Theory to gain dynamism and competitiveness in Operation A. Developing executive leadership at three levels • top team, • the personal development of individual executives as leaders and • the Chief Executive Officer (CEO) B.

Success Brand Development and Brand Strategy : An effective brand strategy will create a unique identity that will differentiate from the competition. That is why it's often deemed as the heart of a competitive strategy C. Strategies for Working : Work avoidance is one of the major paradoxes, Making a complete Plan to work, setting a quota for a week or month and making them to execute will increase the overall growth D.

Achieve learning through knowledge management: Knowledge Management efforts typically focus on organizational objectives such as improved performance, competitive advantage, innovation, the sharing of lessons learned, integration and continuous improvement of the organization. Knowledge Management efforts overlap with organizational learning, and may be distinguished from that by a greater focus on the management of knowledge as a strategic asset and a focus on encouraging the sharing of knowledge. E.

Achieve supply chain excellence : “ The basis of competition for winning companies in today’s economy is supply-chain superiority,” “ These companies understand that value-chain performance translates to productivity and market-share leadership. They also understand that supply-chain leadership means more than just low costs and efficiency, it requires a

superior ability to shape and respond to shifts in demand with innovative products and services. 2. Productivity for INTERNATIONAL TRADE Competitiveness:

The rapid changes in the context of the process of economic reform, globalization and liberalization have created greater compulsions for India to be productive and competitive than ever before. With rapid advancement in technology as well as Management Theory and Practice, the concept & techniques of productivity have undergone a change over time, thereby creating a need for devising fresh approaches, coining new message and adopting a new idiom to spread the message to the stakeholders.

There is an urgent need to redefine and re-structure the Productivity Movement in such a way that it becomes a self-perpetuating process, more so, because the general environment earlier was not very congenial for the desired productivity growth as lots of non-productive barriers & protective walls surrounded our economic system for a very long time. All these protective walls have come crashing down and now competition is the name of the Game.

Keeping in view the stage at which it stands on the road to economic progress, promotion of productivity, its awareness creation and beneficial implementation should be the corner stone of productivity movement. Productivity in its new manifestation, as a culture of accepting and bringing about continuous change through teamwork having continued focus on the customer-need is an inescapable imperative. These Concepts have come to acquire greater significance in the current context of changes economic environment. 3. BUILDING Brand India's Need Perspectives STRATEGY:

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Need to move up the value chain- better R&D • Need to project greater ROI on investment – better profitability • Need to remove revenue dependence on any single resource such as human capital • Need to carve a niche – IPR and Licensing • Need for technological prowess and market knowledge – focused domain expertise • Need to brand products and services – better marketing Every organization has its own distinctive approach towards development. Connecting these initiatives, there should be a commitment to enlarge the scope of innovation and to create environment conducive to Productivity.

Productivity may be the outcome of techno-managerial practices, but eventually is the result of a mindset. Basic to this approach is the conviction that there is no limit to improvement. Even the best can be improved. The crucial ingredient is the preparedness of the human mind to change. Therefore, workers, managers, policy makers and others should be ready to continuously and collectively work for productivity improvement, not only in every economic activity, but also in every human endeavor for the development of the society as well as the country.

Needless to mention, as we graduate further into knowledge era, traditional methods and principles will become increasingly ineffective and we will have to innovatively augment productivity both at micro as well as macro level to realize a global competitive edge. 2. Pick up some Indian services providers. With the help of Michael Porter's diamond, analyses their strengths and weaknesses as active players in BPO. The Diamond Model of Michael Porter for the competitive advantage of Nations offers a model that can help understand the comparative position of a nation in global competition.

The model can also be used for major geographic regions. Traditional country advantages : Traditionally, economic theory mentions the following factors for comparative advantage for regions or countries: 1. Land 2. Location 3. Natural resources (minerals, energy) 4. Labor, and 5. Local population size. Because these 5 factors can hardly be influenced, this fits in a rather passive (inherited) view regarding national economic opportunity. Porter says that sustained industrial growth has hardly ever been built on above mentioned basic inherited factors.

Abundance of such factors may actually undermine competitive advantage! He introduces a concept called " clusters" or groups of interconnected firms, suppliers, related industries, and institutions, that arise in certain locations. Porter Diamond Nations: According to Porter, as a rule competitive advantage of nations is the outcome of 4 interlinked advanced factors and activities in and between companies in these clusters. These can be influenced in a pro-active way by government.

PORTER argued that a nation can create new advanced factor endowments such as skilled labor, a strong technology and knowledge base, government support, and culture. PORTER used a diamond shaped diagram as a basis of a framework to illustrate the determinants of national advantage. The diamond represents the national playing field that the countries establish for their industries. The points of the diamond are described as follows FACTOR CONDITIONS:

- a country creates its own important factors such as skilled resources and technological base. these factors are upgraded / deployed over time to meet the demand.
- local disadvantages force innovations. new methods and hence comparative

advantage. DEMAND CONDITIONS: • a more demanding local market leads to national advantage. • a strong trend setting local market helps local firms anticipate global trends. RELATED AND SUPPORTING INDUSTRIES: • local competition creates innovations and cost effectiveness. • this also puts pressure on local suppliers to lift their game. FIRM STRATEGY , STRUCTURE AND RIVALRY. local conditions affect firm strategy. • local rivalry forces firm to move beyond basic advantages. THE DIAMOND AS A SYSTEM • the effect of one point depends on the others. • it is a self-reinforcing system. THE ROLE OF THE GOVERNMENT IN THIS MODEL • to encourage • to stimulate • to help to create • growth in industries. • In Terms and Conditions Let us take the organization “ TCS” 1. BPO/ KPO Business BPO is established and is on development stage. KPO is on Threshold of Growth The Passive Analysis of The Active/Proactive Analysis of

FACTOR CONDITIONS: • TCS has created its own important factors such as skilled resources and technological base for expanding BPOs / KPOs • TCS is upgrading / deploying resources over time to meet the demand. • New innovations. New methods has given the local industry the comparative advantage. DEMAND CONDITIONS: • a more demanding local/ global market has given 'TCS' the international / national advantage. • a strong trend setting local market has helped local firms anticipate global trends.

RELATED AND SUPPORTING INDUSTRIES: • local competition has created innovations and cost effectiveness for the TCS . • this has also put the pressure on local suppliers to lift their game. FIRM STRATEGY , STRUCTURE AND RIVALRY: • local conditions have affected TCS various strategy. • local rivalry have forced TCS to move beyond basic advantages. THE ROLE OF THE

INDIAN GOVERNMENT IN THIS MODEL: • INDIAN GOVERNMENT is encouraging more TCS . • INDIAN GOVERNMENT is stimulating with paperwork reforms. INDIAN GOVERNMENT is helping to create more skilled labors. • INDIAN GOVERNMENT is providing infrastructures to attract more industries. 3. Compare this case with the case given at the beginning of this chapter. What similarities and dissimilarities do you notice? Your analysis should be based on the theories explained. • If you're not faster than your competitor, you're in a tenuous position, and if you're only half as fast, you're terminal. • The idea is to concentrate our strength against our competitor's relative weakness. The opportunities and threats existing in any situation always exceed the resources needed to exploit the opportunities or avoid the threats. Thus, strategy is essentially a problem of allocating resources. If strategy is to be successful, it must allocate superior resources against a decisive opportunity. • It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change. • Organizations pursue strategies that will disrupt the normal course of industry events and forge new industry