

Crisis in International Business Environment in India

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Abstract

In these days of globalization and WTO regime's free trade, the international business has a large bearing on the national business environment; the environment is well known to be marked by competition at home and abroad. It is also known to be given to high growth in China, India and other developing countries, which is expected to usher in a new economic era for these nations. It seems a vibrant business environment marked by rapid strides in information technology and other fields. Presently however, it is ridden with a crisis of global dimensions since 2008 due to the failure of business leadership to follow fare business standards and practices and moral principles. There seems a need to regenerate the global and national business environment. In India, it is high growth driven at great environmental and human costs and social suffering. It is not serving the common man and the Bottom of the Pyramid population. It is lacking in originality, innovation and any great R & D with a laggard export sector

Keywords: world economic crisis, globalization, WTO, ethics, India

INTRODUCTION

International business refers to performance of trade and investment by firms across borders (Cavusgil, et.al: 2008). It is needless to say that the International Business Environment (IBE) is the environment or broad conditions in which businesses are held across the world, by and large (Paul: 2008). Again, it is needless to say that the present world is given to growth and development, which flows from business enterprises of all sorts- agricultural, industrial, service, etc. For instance, India's economic policy is focused on a 9-10 per cent rate of economic growth for a generation and more, following perhaps the example of China which is dominating the business world or world exports, for not only extinguishing the age-old mass poverty but also to take the country to the ranks of developed countries. The 9% rate of growth is the for-ever refrain of the UPA government, particularly of its economist prime minister, Dr. Manmohan Singh, an economist of world-standing. The second UPA government- UPA-11 (2009-14) has got more strident about growth, as the be-all and end-all of the Indian economy and its business sector. It doesn't seem to matter even if an economy is over-heated in the process of a high growth drive, and the environmental and human or real costs prove to be quite high, and almost prohibitive. There doesn't seem to be high growth without certain or a fair amount of human suffering and environmental damages; a certain 'trade-off' between the three-some. The world, at large, is on a high growth mission, agenda, so much so that GDP estimates and business results are done on 'Q' or Quarterly basis, and it is well-known that if GDP shrinks for 2-3 Qs, consecutively, it is ringing of the bells of recession.

Incidentally, the world today, since the fall of the US business giant of the 19th to 21st centuries standing Lehman Brothers in August (15) 2008, is amidst a Great Recession (GR), a lower version of the Great Depression of 1929-33 in which the US economy struck the economy by 25 Per cent, all said to be due to corporate greed and 'perverse' incentives of fees, pay, bonuses, perks, jets, mansions, and what not (Buffett: 2010). In 2008 serious crisis swept through global capital markets that very neatly froze the financial pipes that lubricate the wheels of the global economy (Hill: 2011). That is, all is not well in the IBE, marked by a breakdown of big business leadership and corporate management (Ahmed, Gouher: 2010). In the meanwhile, how is the IBE, internal and external or domestic and foreign business, on high growth mission and what is its theory? The IBE needs to be laid bare for whatever it is worth.

So, in a world given to Growth and Growth, the pace of which appears to be set by China with a 10+% rate of growth since the country opened to capitalism in 1979 (Editorial: 2008), how is the International Business Environment?

OBJECTIVES AND METHODOLOGY

The note is guided by the objectives of enquiring (1) The broad feature of global and national business environment, (2) The crisis in the international business, (3) Fall in business standards, and (4) Refurbishing the business environment, which appear to be the main issues of international and national business environment at the present juncture.

More than anything else, there appears to be a need to create a new business environment of environmental,

social, human, and moral concerns. There is a crisis in the business environment with profits, at any cost as the only business concern. There appears to be a grave need to overhaul business environment at home and abroad, which however, unfortunately is seldom addressed. The late Prof. C. K. Prahalad had tried to give a new orientation especially MNC businesses though his most famous theory of the BOP – Bottom of the Pyramid (Ahmed, Gouher: 2011). It is the crisis – ridden United States of America which is showing the new business way, with Bill Gates and Warren Buffett acting the icons of new businesses, of combining profits with service or philanthropy. This stance is yet to get started and pick up in India. Notwithstanding all is well with India stance of the India and the country would have its destined growth rate of 8-9 per cent notwithstanding the global economic crisis, the business environment is far from happy in India, with, among other things, an inflationary rate of around 9 per cent of “wholesale” prices which the RBI is trying to overpower with a repo rate of 8 per cent, alarming in itself, weakening business confidence and plans. The Government of India (GOI) and its economic pundits and spokespersons should read and re-read, Mahatma Gandhi and Jawaharlal Nehru to know what makes a wholesome economic and business environment, of which uncalled bravado about a lifeless growth rate is not a part. For, pundit Jawaharlal Nehru as long back as the mid-1930’s declared that no export trade was to be at the cost of domestic consumption of the common people of the country.

In fact there seems to be a great crisis of governance in the country, with plans and policies not emanating from Government of India but the National Advisory Council (NAC) which appears to be a government about the newly elected GOI. The Government of India and NAC relationship appears to make India a case of un-democratic democracy. The business environment should be socially serving in the light of renaissance in the management science, of extending the frontiers of business from the corporations to the common man.

Accordingly the Methodology of the Note consists of judging the national and international business environment against the commonly accepted business norms and social concerns. It should be democratic or fairly people oriented.

COMPETITION – THE KEY

Thanks to the new competitive business environment of India, among other things, the mobile phone population of the country is put at 0.70/1.2 billion, among whom obviously there are many BPL – below poverty – line – people. It’s a sort of economic democracy. ‘Competition’ and ‘competitiveness’ appear to best describe and portray the today’s global business situation (Porter, 1985). It applies well to

businesses, as well as Nations (Porter, 1990), as well brought out by Porter. The heralders of this international business era are President Ronald Regan in the United States of America, Prime Minister Margret Thatcher, the ‘iron lady’, in the United Kingdom, the ruling communist party and in the people’s Republic of China, in 1979 and, not the least in our Mother-land India, the Rao-Singh duo, i.e., the Prime Minister Sri P. V. Narasimha Rao and the then Finance Minister and the present Prime Minister Dr. Manmohan Singh – a strange combination of outstanding statesmen in their own right – ‘in 1999’. The result of this new business environment in India, imbibed from abroad including the original or founding ASEAN nations of Indonesia, Malaysia, the Philippines, Singapore and Thailand (Ahmed, Gouher; book forthcoming), is a New Growth Rate (NGR) of 7.6%, as against the old ‘Hindu’ (no derision intended) growth rate of 3% something (Ahmed, Gouher; 2010), and a cell phone in every hand, including of girls-as symbols of girls’ ‘liberation’ and more than equality with the boys or young men. Surely, things wouldn’t have travelled anywhere near to this with the Government of India Monopoly of the telecom sector, with the telecom fellows behaving high and mighty with the hapless, ‘captive’, nowhere-to-go customers. Now, the telecom people appear to be humbled and brought to the ground, thanks to the highly competitive national and international businesses.

Yet, it seems, our businesses have to learn the lessons of competition and customer services and satisfaction, with, say, the ever common man or aam aadmi concerned Reserve Bank of India, whose governors are an envy of the United States of America, because of the failed bank leaderships, including that of the Fed, creating the present global financial crisis (Economic Noble Laureate: 2001), warning against the ‘discriminatory’ services and ‘teaser’ rates of PSBs (The Economic Times, February: 2010). And, not to lag behind their public sector partners, the private banks are reputed to keep away from rural banking, barring some nominal presence (The Economic Times, March: 2010). That competition, marking the current global business environment, doesn’t mean acting against customer-interests and not giving ‘value for money’ need not be driven home hard. Against this business principle, the behavior of Indian steel and cement Cos, on a seeming forever look to hike prices doesn’t hold good, nor does the seeming unconcern of the Government of India (GOI) against this un-business-like behavior.

But, is the competitive business atmosphere a Darwinian world, after Charles Robert Darwin (1809-1882) and his all reputed theory of the survival of the fittest? And, who is the intellectual peer(s) of the present international business of competition and all

that? Does it, more importantly, dethrone the consumer from his business sovereignty? Fairly, none of these if Governments and business leaders play their respective roles well, which is guarding the public interest. But, as it is there appears to be great public dissatisfaction with the current international business atmosphere, appearing to be self-serving rather than the great global public, leading to unfair business practices, and is believed to be marked by a fall in universal business standards of fair play (Stiglitz, 2010).

In sum, the present international atmosphere is full of competitions, strongly advocated by the founder of Economic Science, Adam Smith, in his economics founding: classic of *The Wealth of Nations* (1776), wherein, in a nutshell, free play of market forces and, the great divine-like 'Invisible hand' or price mechanism, is held to hold the key to the creation of national wealth, human progress and happiness of all market-players, namely, capitalists, landlords, workers and businessmen and the general public, universally (Smith: 2003).

China wouldn't have opted for the competitive global business environment but for the attraction and get fruits of it, and confirming China's expectations the Environment is known to put China at the forefront of world economic growth. The fall of Berlin wall (1989) and the collapse of once the mighty communist State of USSR are also explained by the logic of competition and the free-play of the forces of market of the world business environment. So also the emergence of India as a world 'economic power'- in the last 20 years of its free market period with economic reforms in 1991 (Gucht: 2010). The world economic environment is noted to be a win-win situation.

Moral Fiber and Crisis

Many economic players in the world economic environment like the Church of England with investment trusts think in terms of the moral fibre of the environment find it lacking in MF (Business Standard: 2010). They rather not invest rather than investing in enterprises which are violative of environmental and human norms. Business devoid of Ethics and Morality (E & M) is no good business. Hence, seems the reason for the upsurge of Islamic businesses like Islamic banking. Other faiths also do not lack in this moral consideration. For example, in India, some management experts have come to pronounce Artha through Dharma or Money through Right or Moral means, not by any means (Das: 2010). There shouldn't be moral failings of international business, which would sooner or later bring it to a grief.

"New York's attorney general changed Bank of America's former Chief Executive Kenneth Lewis

and former Chief Financial officer Joe Price with fraud for allegedly misleading shareholders about the acquisition Merrill Lynch & Co (Reuters: 2010)." MLC's massive losses were not disclosed to the BOA's shareholders. And BOA is an iconic American bank.

Nearer home, in Andhra Pradesh, the moral and leadership bankruptcy of SATYAM (standing for truth) computers, a leading light of international IT business, to the extent of more than \$2 billion is too well known to be recounted here (Jagota & Guha: 2009). Satyam's is a classic Indian case of bankruptcy of big business dominating the IBE, appearing to be given to big profits and personal gains by hook or crook. Satyam's fraud reads like a financial thriller, and a classic case study in corporate fraud and mismanagement. It represents the sudden fall and crash of a corporate icon within days, which appear to have stunned the Indian business community. The Satyam scandal is due to moral failings and violation of fair business norms of fair and sustainable business practices. And, it is too well-known that the global business environment is muddled in a great financial or recessionary crisis, shrinking the global economy by 3 percentage points, and the US and EU economies by another 1 percentage point each (The Financial Express: 2009). The IBE is fraught with pessimism and self-doubt and loss of confidence and crisis in corporate leadership, and is sullied with GREED and easy and speculative gains, failure of regulatory, including the great American central bank of Fed or Federal Reserve System and its legendary immediate former Chairman Alan Greenspan (Ghosh: 2008). What is more, the environment after a dream-like calm and progress of 20 years or so, is said to be periodic economic crisis, with regulators like Fed seeming to be helpless against the doings of big businesses and banks. Competition, by no stretch of imagination can mean a free-for-all business environment and helplessness of regulators against the doings of big businesses.

In India also, there seems an abdication of government over the industry, by the indication of free-run of general and essential commodity and food prices nearing 20% mark and bringing in their wake great public distress, to the aam aadmi, to whom the GOI declare itself to owe allegiance (Mukherjee: 2010). The vowed allegiance seems just a lip-service.

The Dynamics of IBE

Thus, a spirit of competition is seen to pervade the IBE, and notwithstanding its moral, leadership and regulatory lapses and the on-going financial or recessionary crisis greatly attributed to business greed, the Environment is marked by the dynamics of free trade under WTO-World Trade Organization (1995), MNCs, FDI, globalization, world economic

integration, trade blocs and groupings, great R & D, innovations, instantaneous IT communication, etc. In the auto industry, there are small car innovations below the range of 5k, following the world's small car of Nano by the Tata's, priced at Rs 1 Lakh or around \$2.5k not to say of the rapid, almost seemingly daily, strides in Information Technology and its application. In cell phones, it is 3G, 4G and so on. The environment is marked by mergers, acquisitions, JVs across the countries and continents. The developed countries are eyeing the markets of developing nations, especially the BRIC ones- Brazil, Russia, India and China. It is marked by the rise of China and it's obtaining great economic and trade and business heights. It is greatly a trading environment.

Table 1: Global Export Trade (%)

S.No.	Year	Percentage
1	2006	16.0
2	2007	13.9
3	2008	14.3
4	2000-09	10.4

Source: CAGR, Government of India, Economic Survey 2008-2009, p.142

In 2008, world exports were 15776 billion, with China's alone accounting for \$1429 billion and India's a just \$176 billion (Government of India: 2009). In addition, India's share in the world's total exports stood at 1.1 per cent, against China's 9.1 per cent. The sum and subs tan of it all is that India has yet to benefit significantly in expanding world trade in spite of its recognition as an emerging super power or economy. The country seems more an attractive home for Imports rather exports, the consequence of which is a pestering balance of trade that seems for everlasting. In addition, the present global downturn appears to have pushed the prospects of Indian exports further down. India is facing increasing competition in trade even from small emerging countries like Vietnam, not to say of China bulldozing its imports in to India. In short, the country does not appear to be going enough from the IBE said to be quite opportune owing largely to its deficit domestic economy even in the crucial items of food, and is inviting more and more FDI for its most aspired 9-10% rate of growth. Sorrowfully, India is lacking in originality, innovations and any great R & D (Bhatia, Gautam "Duplicate India", Deccan Chronicle 31st July 2011).

CONCLUSION

There is a considerable change in the international business environment, which is said to be an environment of many challenges and many opportunities. Competition and free trade, on the Adam Smith's lines are its foundations. It, however, is lacking in morality and suffering a self-serving leadership, the greed of which is said to have landed

the world economy into the present recessionary crisis.

The Environment needs reforms, and a firm regulatory mechanism, it having had no basic social responsibility and larger public consideration. As far as India is concerned, it doesn't appear to have fully imbibed whatever benefits of free IBE.

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