



Business Innovation and Competitiveness in the Developing World

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**BUSINESS INNOVATION AND COMPETITIVENESS IN
DEVELOPING COUNTRIES**

PREFACE

This book is written mainly for the following audiences in the developing world: government leaders whose official roles and prerogatives have a direct bearing on the state of business innovation and competitiveness in their respective countries, labour union leaders, and business owners and managers. It is essentially intended to survey viable initiatives and strategies for enhancing business innovation and competitiveness.

Specifically, the following themes are explored in the book: the rapidly changing business scenario in the developing world - Chapter One; viable business strategies for maintaining competitiveness - Chapter Two; investing in scientific and technological advancement - Chapter Three; the need for industrial harmony - Chapter Four; putting business before pleasure - Chapter Five; and the role of governments in fostering innovation and competitiveness in commerce and industry - Chapter Six. The book also provides a summing up in Chapter Seven, and a glossary of selected terms immediately after Chapter Seven.

H.K.

THE AUTHOR

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Chapter 1
CHANGING BUSINESS CONDITIONS

Chapter Outline:

1.1 Harsh Economic Conditions

1.2 The Escalating Competition

1.3 The Changing Consumer

1.4 Societal Expectations

Summary

Notes

**Appendix: Business Risks in Foreign
Countries**

The environment in which businesses are operated in the developing world today is increasingly becoming complex and unpredictable. As such, business managers need to develop new attitudes, skills, and strategies to be able to cope successfully with such a turbulent environment, as well as to take advantage of any existing and potential business opportunities in the environment.

Specifically, there are four factors which are likely to thwart the efforts of business organisations in the 1990s and beyond; these are: harsh economic conditions, the escalating competition in commerce and industry, the changing consumer, and changing societal expectations. Each of these factors is discussed below, while the various ways and means by which economic pursuits and endeavours can be boosted are surveyed in chapters 2 through 6.

1.1 HARSH ECONOMIC CONDITIONS

The harsh economic conditions obtaining in developing countries today is a serious constraint to the success and competitiveness of less innovative business undertakings. Such problems as high prices of production inputs, inadequate foreign exchange, and dwindling consumer demand resulting from high inflationary trends - which have eroded people's purchasing power - have very serious impacts on the operations and success of many business entities in the developing world.

1.2 THE ESCALATING COMPETITION

The mounting business competition in many emerging economies poses a significant threat to the success and survival of smug and incompetent businesses. Many political leaders have emphasized that their governments will not continue to shield any local companies from competition. Also, development theorists and economists are scoring great successes in convincing conservative, socialist-minded leaders in developing countries that competition among businesses is a necessary ingredient to socio-economic development and should, therefore, be encouraged by allowing new investments in industrial and commercial sectors of economies currently monopolised by state companies.

These twin developments are, no doubt, a clear warning to owners of monopolistic businesses that the supernormal profits they have been enjoying will be competed away by more deserving firms if they cannot promptly brace for the very stiff competition that is emerging in the business arena in much of the developing world.

1.3 THE CHANGING CONSUMER

Clearly, we have a new breed of consumers emerging in the developing world whose needs and expectations are for high-quality goods and services at affordable prices. The emergence of such a new breed of consumers has been largely facilitated by the exposure of consumers in emerging economies to high-quality foreign products which have been flooding their markets over the years. The following excerpts of articles which appeared in the *Times of Zambia* and the *Far Eastern Economic Review* should corroborate what is asserted here:

The ... business community has been challenged to improve the quality of their products or consumers will

continue to prefer imported goods. [A] Copperbelt University lecturer ... [has] said ... unless businesses produce goods of high quality, the market will continue to be dominated by foreign products, leaving ... [them] with piles of unsold locally produced items.¹

In the 1988-91 period [in China] ... consumer spending slowed to a halt. Initially, sluggish spending reflected some shrinkage in [consumers'] disposable income. But [later] ... shunning domestically made consumer durables ... signalled their [consumers'] rejection of shabby products of state factories.²

Moreover, businesses need to guard against engaging in actions and practices that are likely to either plunge them in consumer rights issues or give momentum to consumerism in their countries of operation. A brief description of the nature of both "consumer rights" and "consumerism" follows.

1. *Consumer rights*: Generally, consumers in the modern world have the following rights: (a) the right to safety from product-related hazards; (b) the right to redress, and to reject unsatisfactory products; (c) the right to make choices from a variety of products in a market free from domination by monopolistic producers or sellers; (d) the right to be heard in governmental decision making that affects consumers; (e) the right to information about the nature and composition of products; and (f) the right to education regarding product usage.³ It is, therefore, essential for business organisations to avoid actions and practices that are likely to constitute an infringement on these rights.

2. Consumerism: Essentially, the term "consumerism" is used to represent a social movement that seeks to augment the rights and powers of buyers in relation to those of producers and sellers.⁴ In other words, it is a consumer movement against such unfair business practices as the making and selling of commodities which are of marginal quality, profiteering, and the like. To be able to cope successfully with the consumer movement, business organisations need to strive to meet the changing consumer expectations for high-quality and affordable products.

Moreover, consumers and other members of society expect business organisations to conduct their operations in ways that have negligible or no potential to exacerbate the already alarming depreciation of the quality of the physical environment, and to create products that have minimum negative impacts on the environment. If business organisations fail to meet these expectations, the consumer movement is likely to become a formidable force in the 1990s and beyond.

1.4 SOCIETAL EXPECTATIONS

Every business organisation exists by public consent with the basic and traditional role of producing certain goods and/or services to satisfy society's needs. Modern society, however, expects businesses to fulfill their basic and traditional purpose of creating economic values as well as perform the philanthropic and altruistic role of social responsibility.

Essentially, "social responsibility" is a business obligation to seek socially beneficial results along with economically beneficial results in all its policies, decisions, and actions.⁵ This basically implies that business organisations should make an effort to relate their economic goals and activities to the changing needs and expectations

of the social environment in which they are a constituent part.⁶ Only this way can businesses possibly attain results that are of mutual benefit to them and to society at large.

Business organisations have many ways in which they can contribute to the improvement of the general welfare of society, including the following: (a) making financial and material contributions to educational and training institutions, thereby helping to prepare individuals for tasks that will benefit society; (b) supporting society's efforts to rehabilitate mentally ill, physically handicapped, and other disadvantaged members of society; and (c) getting involved in society's efforts to restore the natural beauty of human-defaced landscapes by rationally using the limited natural resources, as well as by engaging in a voluntary effort to reduce air, water, and solid-waste pollution to tolerable levels.

SUMMARY

This chapter has surveyed success-inhibiting factors in business settings which organisations need to effectively cope with if they are to remain competitive in the 1990s and beyond. These factors are: (a) harsh economic conditions; (b) the escalating competition in both commerce and industry; (c) the changing needs, demands, and expectations of today's consumers; and (d) widening expectations of the role of business in modern society. The various strategies and initiatives by which economic pursuits and endeavours can be boosted are explored in chapters 2 through 6.

NOTES

¹"Improve Quality of Goods," *Times of Zambia*, March 9, 1989, p. 4.