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Business Excellence in
Modern Competitive Age

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BUSINESS EXCELLENCE IN MODERN COMPETITIVE AGE

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The global business environment has vastly changed during the last century and many more changes are in the offing. Thanks to telecommunication and transport technology, as a whole, the world has shrunk into a global village and is emerging as one market place. Tariffs are being lowered and obstacles to free trade amongst nations are being progressively removed. A new business ethics is emerging, the customers are progressively having a wide range of choices transcending all the physical and political boundaries.

This process of globalization is proceeding at a very rapid pace.

NEW WORLD ORDER

Whereas globalization has been in process for centuries, signifying human urge to spread over the entire globe for travel and for trade, but it was left to the initiative of the individuals, and sovereign countries to pursue. But in the present era all nations of the world are tending to contribute consciously to this process. In the context of trade particularly, what is playing the major role is the World Trade Organization (WTO), which is a successor organization of GATT (General Agreement on Tariffs and Trade). GATT stood for an international agreement to reduce trade barriers amongst the member countries and to the development of a code of conduct to guide the “contracting parties” that subscribed to it.

Pakistan was one of the 23 countries, initially, who signed for it, at the initiative of USA, in 1947. The Common Wealth countries, West Europe, Poland, Czechoslovakia, Yugoslavia, and Japan were also in that group of 23.

FROM GATT TO WTO

The GATT, as an institution, came into force on January 01, 1948. Eight rounds of multilateral negotiations were carried out starting from the first round in Havana, Cuba in the year 1948. The second round was held at Annecy, France in 1949. During this round, 5000 tariff cuts were agreed and 10 new countries were admitted as members. The third round was held in 1950-51 at Torquay, England. The members during this round exchanged 8,700 trade concessions and admitted four new countries. The fourth round was held at Geneva, Switzerland in 1956. Tariff cuts worth 1.3 trillion dollars at today’s
prices were agreed during this round. The fifth round, called Dillon round, named after US Secretary of State Douglas Dillon, was held during 1960-62. A further 4400 tariff cuts were agreed during this round. Then the sixth round, called Kennedy round, was held during 1964-67. Many industrial tariffs were reduced by 50% during this round. This agreement was signed by 50 countries and the code on dumping was agreed to separately. The seventh round known as Tokyo round, was held during 1973-79. It involved 99 countries. First serious discussion of non-tariff trade barriers, such as subsidies and licensing requirements were taken up. Also, average tariffs on manufactured goods in the nine biggest markets were cut from 7% to 4.7%. The last round known as Uruguay round, which is the eighth one in series, was held during 1986-93. During this round further cuts in industrial tariffs, export subsidies, licensing and customs valuation, were agreed. Agreements on trade in services and intellectual property were also covered.

In 1995, World Trade Organization (WTO) was formed with powers to settle disputes amongst member countries. Two years later, in 1997, agreements were concluded on telecommunication services, information technology and financial services.

In 1998, the WTO membership stood at 132 while more than 30 other countries were waiting to join.

THE BACKGROUND

As a background to all this effort, we find that after 1930’s depression year, the USA pursued a high tariff policy (Hawley Smoot Act 1930). The objective included domestic production and increased employment in the United States of America.

Cordell Hull, Secretary of State, in President Roosevelt’s government, recognized that high protection was hindering rather than helping the economic recovery. With his help Trade Agreement Act 1934 was passed. That gave the President of the USA the authority to make bilateral tariff cutting agreements with other countries. By the end of World War II, it was evident that bilateral agreements had serious limitations. Import quotas were used as threat against the use of quotas and tariff concessions were withheld fearing that non-reciprocating nations might derive the benefit. Multilateral approach was, therefore, found necessary and the United States took initiative towards the development of GATT, in 1947.

As visualized at that time, GATT had three essential features to attend to:

1) Schedule of tariff concessions
2) A code of principles and rules governing imports and exports
3) Periodic meetings at international forums to discuss trade problems and trade complaints.

WTO

GATT and now WTO deals with wide range of commercial policies. The “contracting parties”, as the members are called, meet from time to time to remove the barriers to the international trade. It also reviews the complaints of violation of rules. The rules specify that a country providing a trade advantage to one party must grant the same advantage to “all contracting parties”. The rules basically also limit use of import quotas and other measures, that restrict the flow of trade amongst the “contracting parties”. Now the number of countries who are members of this WTO arrangement has well passed 150, the last entry
being that of China. The Council of Representatives, elected by the members, deals with urgent work during the periods intervening the annual sessions. The Secretariat of the Body consists of International Trade Specialists and some administrative staff. Their headquarter is in Geneva (Switzerland).

This exercise has helped the world in bringing down the rates of tariffs to the minimum. The process visualizes that international trade would be governed on the basis of respective comparative advantage and the world, in theory, would thus benefit. It was considered that share of each country would be determined by the degree of comparative advantage and level of preparedness to meet the new challenges. In the new scenario, quality and price, in the main, were going to be the decisive factors.

**CHALLENGES FOR PAKISTAN**

Nature’s timeless process of “Selection” is now going to visit the world of commerce and industry. Only the best and the fittest are going to survive and those who are weak and carried so far on crutches will be swallowed by those who demonstrate fitness to face the free market. The law: “survival of the fittest” is being reactivated.

Pakistan at one time had two comparative advantages, cheap labour and cheap cotton.

Despite low wage structure, labour in Pakistan has proceeded to have a very high cost due to the low productivity. Secondly, due to distorted policies and natural calamities, the price of cotton in the domestic market has surpassed the international prices. Consequently, Pakistan has lost the comparative advantage in the textile sector which is the largest industrial sub-sector of Pakistan that contributes to a major part of the exports, as well.

To all this, if one was to add cost penalties imposed by the high mark up rates, dearth of reliable infrastructural facilities, (like electricity, transport, skilled man power, housing) and a very high cost of utilities, Pakistan finds itself at an enormous disadvantage in this new global scenario.

If one was to add to this, the non-availability of exportable surpluses with huge population consuming more than producing, the new global scenario, can be somewhat frightening for Pakistan.

Adding to this further, some of the obligations assumed under Rio-De-Jenario Charter which was voluntarily signed by the representative of Pakistan, the clauses are so stringent that even some of the developed countries including USA and Japan did not sign or agree to them, out right, without endorsing some observations and reservations. As a result of this, problems are now surfacing. It is ironical that Pakistan not only signed the Rio Agreement but also accepted the Chairmanship of the next round. The environmental and other multiple factors which were brought in, as a result, led to ban of the surgical goods by USA and threat by European countries to ban leather goods from Pakistan and also restrict import of sea foods due to pollution at Karachi Sea-port. And not only that, the export of agricultural products might be banned due to excessive use of out-dated pesticides. This is another aspect of the global agreements which may possibly hurt the exports trade of Pakistan rather deeply.

So the challenges are enormous and rather that Pakistan had benefited from the globalization process, she might well be a victim. The Pakistani manufacturers might find it difficult even to sell their products in their own open domestic market, much less think of capturing foreign markets.
Some of the major problems which compound the challenges further, include over regulation of the economy, stringent controls over the industry (Please see the illustration at Annexure 1), lack of research, smuggling, adulteration, corruption, insecurity, shortage of skilled man power, political instability, etc. All this will lead Pakistan to a great disadvantage. The non-tariff barriers that are being raised in the nature of child labour, human rights, quality certifications, environmental certifications, etc. are some of the other factors that Pakistan cannot easily combat.

Challenges for Pakistan are enormous and particularly after the year 2005 when WTO systems come in with full impact.

There is thus an urgency in Pakistan to gear up and create business excellence which, in simple ways, can be stated to constitute a competitive edge. The differentiation will constitute, providing low prices, (which is the function basically of high productivity), high quality, innovativeness, reliability, durability, aesthetic value, convenience and service, etc. In certain cases prestige value also would count for customer’s preference, even though this would cover a small segment of a significantly high profit market.

Is Pakistan ready to face the new challenges of Productivity and Quality Excellence, is the question to which the answer at this point in time seems to be “NO”. In that event for the business and industry in Pakistan to survive and grow, there are certain suggestions which are being made.

THE SUGGESTIONS

First step, that one could take would be to create an acute awareness about the new challenges which the industries and producers of goods and services in Pakistan will have to face as a result of the commitments that the Government of Pakistan has been making from time to time in terms of globalization.

Secondly, an efficiency movement needs to be started in the country in the form of productivity measurement, analysis and improvement, in all sectors of the economy, including the government itself.

Thirdly, quality consciousness has to be created and quality awards instituted so that whatever is produced either for domestic consumption or for export, should be of the highest quality. Quality of services must also be raised to the international standards and even surpassed.

Fourthly, labour has to be disciplined, continuously trained and made more productive.

Fifthly, the state apparatus should provide a responsive government which works with the private sector as partners sharing common objectives.

Sixthly, massive investment be made in human resource development, covering education and skilled development.

Seventhly, ethical values be developed in the society so that the people working in the various sectors of economy give their best to the employers, their customers, and to the country.
Eighthly, massive investment should be made in research and development so that innovative products and services could be made available for marketing.

Ninethly, the work environment in the society should provide security for those who directly or indirectly contribute towards the economy.

And lastly, the leadership should show vision and wisdom while signing International Agreements, and immediately after doing so, inform the people fully as to what commitments they have made on their behalf, so that the people could prepare themselves to deliver on those promises.

**AUTHOR’S SYNOPSIS**

Dr. S. M. Naqi born in 1927, is Ph. D. in Business Administration and a Chartered Engineer; Fellow Institute of Mechanical Engineers (London) and Fellow of several other professional Engineering Institutions. He is the Chairman of SPEL Group of Companies; dealing with Hi Tech Engineering products.

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His recent publication “ENTREPRENEURSHIP - A Recipe for Economic Development” has been widely acclaimed as a land mark book which can create an entrepreneurial revolution in the country.

He is the recipient of a Civil Award: TAMGHA-E-QUAID-E-AZAM for distinguished services.