



Editorial

Greetings!

One of the vital means of enhancing productivity and improving quality is through proper cost management. It is widely recognized that what Indian manufacturing industry needs the most today is improvement in cost competitiveness. There is a heightened need to improvise the cost effectiveness of manufacturing processes, while at the same time, maintaining quality to withstand the pressures of competition is equally essential.

India and other developing economies need to address poverty alleviation as well as sustainable routes to development, while addressing cost issues. Resource-efficient solutions will help companies contribute to this task, as well as add to their global competitiveness. Sustainability can drive cost savings through efficiencies, creating new markets and securing competitive advantage.

Although it is widely acknowledged that economic growth and competitiveness involve a complex interactive process of social, political, and institutional change, no single general theory supports this phenomenon. Perspectives from various disciplines reveal that competitiveness is a comprehensive concept. We can regard the notion of competitiveness as associated with three major groups of thought. These are:

- Comparative advantage and/or price competitiveness perspective,
- A strategy and management perspective, &
- A historical and socio-cultural perspective.

While economists have placed emphasis on price and the country-specific economic characteristics of competitiveness, the management and strategy researchers have focused on the firm-specific characteristics. The focus of sociologists and political theorists has been on various social, political and cultural characteristics underlying the notion of competitiveness.

From a macro perspective, competitiveness is a national concern and the ultimate goal is to improve the real income of the community. On this perspective, competitiveness is a very broad construct encompassing all social, cultural, and economic variables affecting the performance of a nation in international markets. On the micro perspective, in order to be competitive, any organization must provide products and services for which customers are willing to pay a fair return or price. In the long run, in a free enterprise system, competitiveness is measured by the ability of the organization to stay in business and to protect the organization's investments, to earn a return on those investments, and to ensure jobs for the future.

The challenge moving ahead for increase in competitiveness is turning cost reduction into cost optimization, which in turn, enables the organization to be cost competitive. Cost management should be a tool to push business development and overall growth.

The consideration of cost competitiveness starts in the market with pricing. High performers place significantly more emphasis on understanding competitors' pricing. Pricing is an increasingly complex process. To get pricing right, the company must identify the actual costs involved in supplying the service or product — right across the enterprise. Understanding the competitive market is the key to this, but it is also critical to have a full understanding of how customer "value" is created and to ensure that full information on costs is available to the pricing decision-maker. A delicate balance is required to successfully deliver price increases without reducing competitiveness. It is becoming increasingly difficult for companies to understand the true value they are deriving from their customer base. Correctly identified, this knowledge will help them to improve margins by sustaining revenues and reducing cost, pitching prices more accurately, while maintaining or even improving their customer service.

In this issue, we have presented few very pertinent articles on "Cost Competitiveness". We record our sincere gratitude to all the eminent contributors of this issue. Hope the readers will be highly enriched while going through the articles.

Happy reading!