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Issues of industrial diversification: The key for global manufacturing competitiveness.

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Abstract—Manufacturing is considered to be a driving force of any country's economic development by creating more employments and social income. However, in this era of rapid technological change every country struggling to increase more market shares and to remain competitive in the international scene. This paper shows the issues of Industrial diversifications which are the key factors of global manufacturing competitiveness.

Key words: competitiveness, benchmarking, manufacturing

I. INTRODUCTION

As a key economic activity, manufacturing production has been used as a growth determinant, reflecting the stage of country's development in terms of availability of human resources, capital, country's natural endowment and other raw materials.

National industrial competitiveness describes the performance of manufacturing and exports in an international context. While national data can provide information on the growth of manufactures and exports in the country, benchmarking enable to make comparisons with similar countries or competitors to place these growth and development trends into context relative to other countries in order to identify country's immediate competitors, future competitors and the role model[1].

Industrial diversification is a strategy that involves choosing to structure a company operation in a manner that promotes involvement in a wide range of revenue producing activities. An approach of this type may have to do with the production of goods and services associated with the business, or may focus more on how the company chooses to arrange its investment portfolio. The goal of any type of industrial diversification is increase the chances of returns by diversifying or spreading assets over a wider range of activities, while also helping to minimize the potential for failure or loss[2]

As it relates to production operations, industrial diversification has to do with providing goods and services that appeal to multiple markets rather than focusing on a product line that appeals to mainly one market. For example, a company may operate plant facilities that produce clothing items at one location, while also manufacturing bedding and other types of household textiles at another. At times, the diversification may involve completely unrelated products[3].

II. REVIEW OF THE LITERATURE

Nowadays, a significant portion of companies diversify their productive activities, either across multiple lines of business, i.e. industrial diversification, across different geographic markets, i.e. international diversification or globalization, or both [4]. The purpose of this section is to review some of the main theoretical arguments as well as empirical findings on the effect of industrial diversification and globalization on R&D activities and firms' economic performance.

Studies in the literature report potential benefits as well as costs for R&D and the economic performance of both types of diversification strategies. On the one hand, industrial diversification positively affects productivity performance through economies of scope [1] and an excess of technological resources. These new technological opportunities are in turn deployed in new directions and industries.

III. ISSUES OF INDUSTRIAL DIVERSIFICATION

The issue in the empirical framework is the data limitation regarding subsidiaries only observed in a cross-sectional dimension. This prevents the use of within or first difference transformations for the production function to capture unobserved individual heterogeneity other than industry or country effects, which are taken into account in our estimates[3].

Another concern is the causality in the relationship between R&D productivity and diversification. While there are theoretical reasons to explain that diversification may enhance or alter the productivity of R&D activities, one may also expect firms with a higher R&D productivity to adopt a diversification strategy.

4. CONCLUSION

Industrial diversification is increase the chances of returns by diversifying or spreading assets over a wider range of activities. This papers concludes that the issues are very important which helps in transformations.

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