1
Firms Adapting to Global Marketplaces: Introduction

1.1 The global experience of firms, cities and regions

The international debate today is directed as to how globalization, through its transformative influence, affects firms and workers in developing economies. Many firms have had significant growth of capabilities either through planned actions or through gradual improvements in their processes and products as a result of learning curve effects. International trade and industrial organization have had complementary effects – the former leading to the development of industrial capabilities in a number of developing countries and the latter being significant in the impact on the structure of organizations, ownership of functions and transfer of responsibility. Functional integration has been the result of this vertical and horizontal fragmentation. Firms engage in the provision of intermediate inputs or services used for final processes of the retail product. This has affected not only their own fortunes but also the industries in which they are entrenched and the regions where they have located their industries, causing a multiplier effect on the participants, either intentionally or by chance.

India’s experience in globalization can be expressed by a number of manufacturing sector experiences ranging from large-scale manufacturing on the one hand to a focused product specific supplier for specialized orders of smaller size and high specificity on the other. A case in point is the Agra-based leather footwear export industry, the Tirupur cluster (Cawthorne, 1995) in Tamil Nadu, the Ludhiana woolen cluster (Tewari, 1999), the home textile clusters in Karur, Tamil Nadu, and Kannur, Kerala, and other handicraft or handloom textile industries that have been catering to the export market. Post-millennium, a continued
focus on service sector, especially in the IT and ITES sector, has also been very significant in terms of revenue.

1.1.1 India’s textile and apparel industry
The textile sector is one of the oldest and most global export industries traditionally used by first entrants into factory oriented work organization, to start the industrialization process. Besides the benefits of ample work, low skilling needs, large-scale opportunities and inelastic demand, it also represented an easy mode of entry into export markets despite the continuous system of quotas that was, till 2005, the mainstay of the global textile industry.

India’s textile sector is characterized by mostly small-scale, non-integrated spinning, weaving, cloth finishing and apparel enterprises, many of which use outdated technology. Some, mostly larger firms operate in the “organized” sector where firms must comply with numerous government labor and tax regulations. Most firms, however, operate in the small and medium enterprise size with smaller scales of production, commonly called the “unorganized” sector where regulations are less stringent and more easily evaded. The unique structure of the Indian textile industry is due to the legacy of tax, labor and other regulatory policies that have favored small-scale, labor intensive enterprises, while discriminating against larger scale, more capital intensive operations. The structure is also due to the historical orientation of the needs of India’s predominantly low-income domestic consumers, rather than the world market. Policy reforms, which began in the 1980s and continued into the 1990s, have led to significant gains in technical efficiency and international competitiveness, particularly in the spinning sector. However, broad scope remains for additional reforms that could enhance the efficiency and competitiveness of India’s weaving, fabric finishing and apparel sectors (Landes, MacDonald, Singh and Volrath, 2005). A strong and weak point of Indian textile industry is that it is spread across the country, with pockets of concentration coming up in different areas according to raw material availability (Chandy, 2011).

1.1.2 The Kannur home textiles industry
The Kannur home furnishing industry is located in and around Kannur district, formerly called Cannanore in British India, in the North of Kerala. Known for its distinctive history, chequered with the arrival of the Portuguese, the Dutch and later the British, it has the privilege of being a well established trade center of the 1700s, and 1800s, and later