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## **INNOVATING FOR COMPETITIVENESS**

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## INNOVATING FOR COMPETITIVENESS

### Preamble:

India has entered the 21<sup>st</sup> century with a bagful of hopes and aspirations. It is also accompanied by a mountain of woes. Its share in the global business is less than one-half of a percent; in terms of per capita GDP it finds itself among the bottom quartile of the nations[1]. The challenge of bringing up India from this unenviable position, calls for very high order of re-orientation of the economy. It is not the absence of resources that needs to be addressed; it is the re-orientation of the resources, the reinvention of the economy that needs to be addressed. This is the theme of this conceptual paper. The paper also looks at specific sectors – Health, Education and Rural Development - and outlines the challenges of re-inventing those sectors. From an understanding of the current problems it goes on to identify the managerial challenges and suggests new structures that are relevant and feasible in the Indian context. There is definite and enhanced role for industry in this process. In the process of meeting these challenges Indian industry will be reformed and re-invented; it will enhance the capability of itself and the economy to compete in the international arena.

### Drivers of Wealth Creation:

Land, labour and capital were considered the factors of production in the post-industrial era. Observing the capitalistic mode of growth and development in Europe, some thinkers opined towards the close of the 19<sup>th</sup> century, that in order to ensure equitable distribution of wealth and thus social justice, ownership of the factors of production should rest in the hands of the proletariat. This led to the emergence of communism. In all this the understanding of the factor capital was perhaps restricted to the concept of funds and finance. Given this paradigm, the basic necessity for growth, development and wealth creation was the factors of production and their ownership. If a nation had ample quanta of factors of production it would logically mean that the nation was wealthy; and if a nation did not possess these, by corollary, it would mean that the nation was destined to be poor.

The last century of economic development of the world, and the collapse of communism as a model for sustainable development, punctured the basic tenets of this logic. Russia with all its abundance of the factors of production, did not become a rich nation. Japan despite its poor stock of the factors of production emerged a very wealthy nation. In many instances of nations and companies, land was not at all a critical factor at all – especially in the era of e-business. Technology is a major factor in the success and growth of many of the companies and nations; entrepreneurship is another factor. These have not been adequately built into the concept of factors of production. In understanding the growth of nations and in explaining the process of growth and development we need to look for better models and concepts.

### The New Paradigm:

An empirical model that fulfils these criteria is described in the box given below. It looks at three sets of drivers of wealth creation: the physical resources in the primary stage; knowledge [technological] resources in the secondary stage and strategic resources [ entrepreneurship, innovation, strategy etc ] in the tertiary stage.

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$$W = p t^n$$

W : Wealth  
p : Physical resources  
t : Technological resources  
n : Strategic resources

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As an illustration we can compare Japan and India. Japan is not endowed with abundance of physical resources whereas India is endowed with abundant quantity of physical resources. In terms of knowledge resources Japan is ahead of India. In the arena of strategic resources Japan is far ahead of India and this factor alone explains the significant difference between wealth creation capabilities of Japan and India.

Given this logic, we can conclude that what inhibits the wealth creation process is not the absence of physical resources, but our inability to manage the resources. Going one step further, we may add that wealth creation process can be nurtured through an enhancement of the strategic resources – entrepreneurship, innovation, strategy and the like. This is the focus of this article: how to re-invent the economy to ensure competitiveness and thereby achieve better performance. We look at few sectors of the economy.

### **Rural Development:**

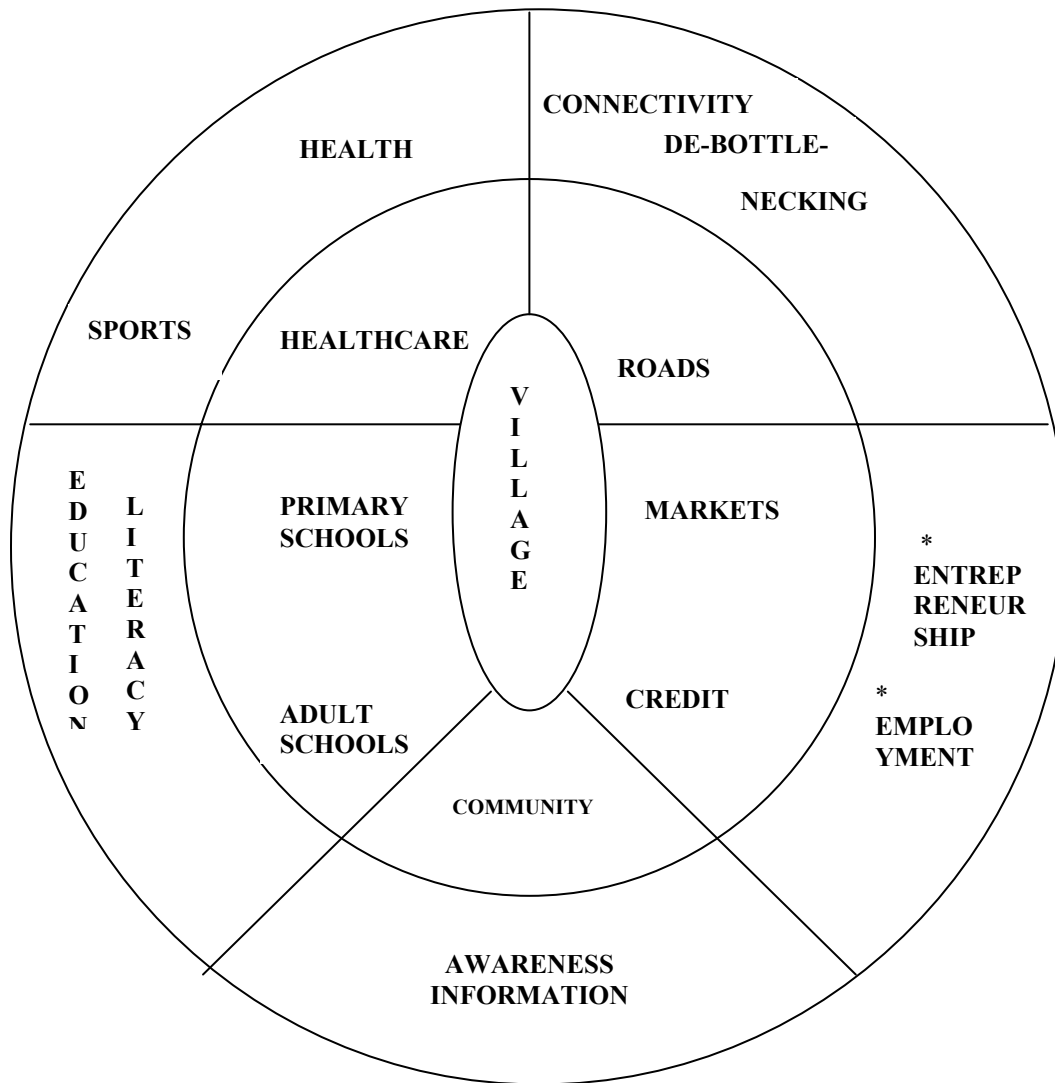
More than two-thirds of India live in the rural areas. Literacy, primary healthcare, population control, employment generation etc[2] are some of the parameters that are expected to improve the lot of the rural masses. Since independence we have been spending enormous resources on these missions; the results have been varied. In some states it has achieved significant results while in many it has shown moderate results; in others it has not yielded any result. Essentially the efforts have been government sponsored and government directed. There was very little role for private corporate sector or other segments of the economy. Does that mean that other segments of the economy has no stake in the rural development? Or that none other than government has the expertise in this direction? In the current context when governments are facing resource crunch, allocation for rural development is bound to suffer. This situation forces us to explore new avenues.

Digvijay Singh[3] classified the Indian society into three segments – upper, middle and lower – in terms of income and social status. The lower segment, he said, needs to be given means of livelihood and aspirations to achieve. The middle segment needs to be given educational facilities and opportunities to achieve; this segment is already endowed with aspirations. The upper segment needs to be given the leadership opportunities to bring up the other segments. In this developmental model he has envisaged involvement of all sections of society; this model is quite different from the model pursued by us till now. In propounding this model he has recognized certain basic tenets: that involvement of all sections is a must. That resources are available within the society; not necessarily with the government alone. That poverty of the state or nation does not imply inability to mobilize resources and consequently inability to organize developmental projects. This is the basis of reinventing the developmental process in the current context. By rejuvenating the rural sector, we are enhancing the purchasing power of the masses; this leads to the increase in the demand for consumer products; this will boost the manufacturing sector and the economy as a whole. In the process we will also be converting part of the rural population into knowledge workers; this will take us more towards the knowledge economy.

A model for reinventing the developmental process is described in the diagrams below [4]. This model envisions the adoption of a Developmental Block by a corporate house; the corporate house will commit the resources [mainly funds] required for the Block for the duration of the project. The implementation of the project will be assigned to an NGO of repute and track record. Monitoring of the project implementation will be assigned to a professional agency. And there will be a command structure in the form of a board for all decision-making. The Board will have representatives of all concerned: the representatives of the inhabitants of the Block, the corporate house, the NGO, the professional agency and the government. The project will envisage creation and management of primary schools for the Block, hospitals and healthcare for the Block, complete wiring of the villages of the Block, creating markets in strategic locations of the Block, creating and maintaining motorable roads throughout the Block, skill training and employment generation for all the villagers in the Block etc. The choice of the Blocks in a state

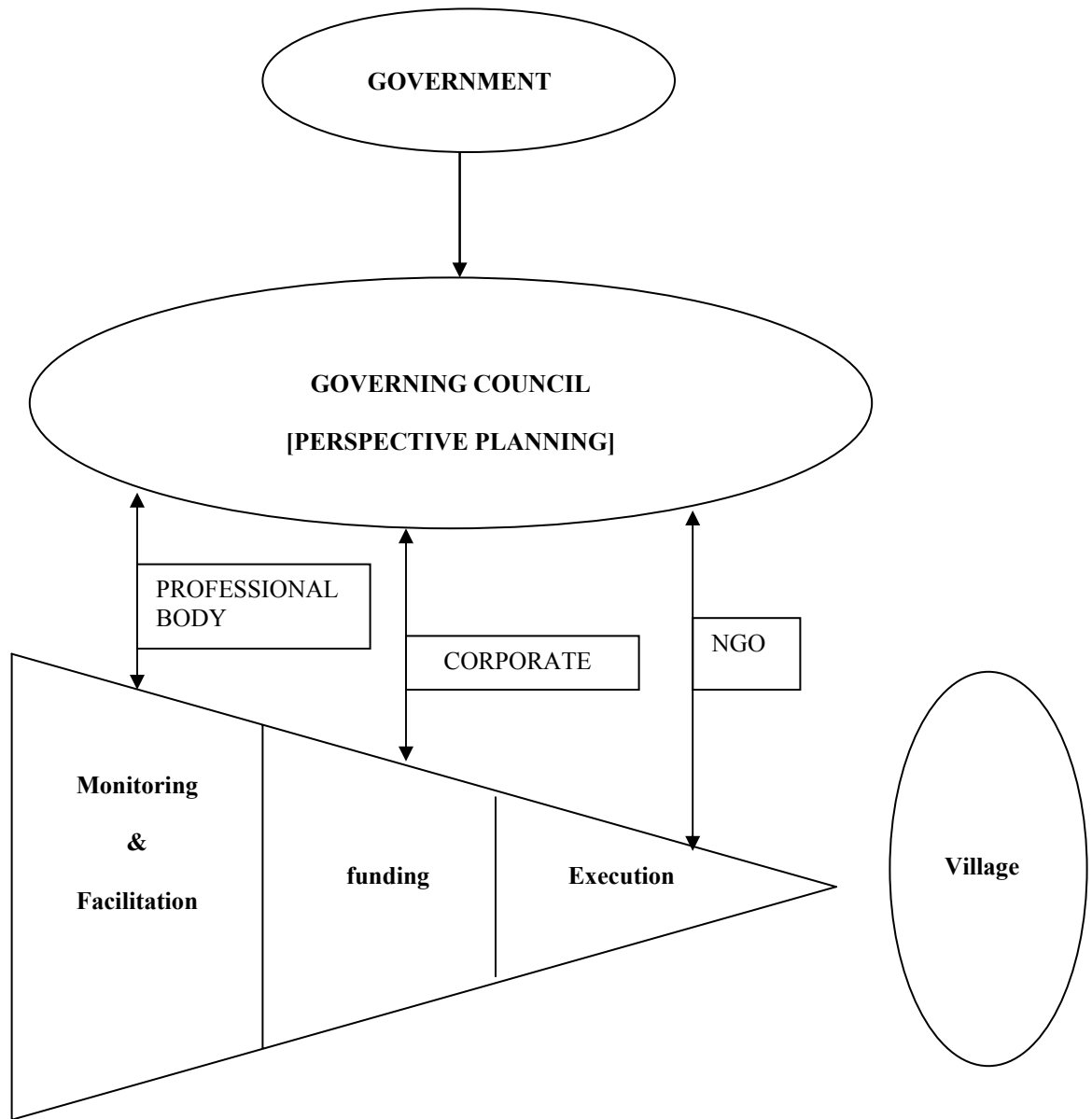
will be made on the basis of the developmental needs of the Blocks. As a thumb-rule the state must identify the bottom 10 % of the Blocks in the first stage; this can be extended to others gradually.

**Fig.1**  
**Re-inventing the Developmental process**



<b>GOVT</b>	District Collector, other Govt machinery	Permission, Legitimacy, Land Regulation, Supervision
<b>NGO</b>	Identify a Lead-NGO For a Block	Creating and maintaining schools, Healthcentres, Community Centres etc.
<b>Corporate</b>	Identify a specific corporate for a Block	Funding, adoption
<b>Professional Bodies</b>	CII, FICCI, Institution Of Engineers, Mgt Assn., Bar Assn, CAs etc.	Mobilising & Channelling resources Monitoring

**Fig.2**  
**Command Structure**



### **Education:**

This is the most important sector of our economy. We have survived as a nation only because of the importance we have been giving to education and learning. In fact the future prospect of India emerging as an economic power is also linked to its emerging as a knowledge economy. The educational scenario in the country is not very comfortable: the higher education is dominated by the government. We have large number of universities; but none of them have acquired international stature nor brand name. None of them have been attracting students from across the globe.

The target must be to create a number of universities of international repute and attract students and researchers from across the globe – the modern equivalents of Nalanda and Takshasila. This calls for dismantling the control and license regime of today and letting private entrepreneurship to blossom. This will ensure adequate supply of educational facilities, attracting highly talented persons into the education system, more efficient management of the educational system, healthy competition within the system. Admitting students from abroad will ensure the international competitiveness; it will also have its own economic impact on the system in terms of long-term sustainability.

To begin with we must allow leading universities and institutes in the country to offer programmes that are relevant internationally, on international terms, attracting fair amount of international participation. This is not going to be easy because these institutions have to build brand images internationally. They may have to collaborate with leading universities of the world, establish practices that are benchmarked internationally, get the benefit of faculty members who are of international caliber, create infrastructure [ physical and academic] that are comparable internationally and so on. We need to create such islands of excellence initially; they will spread slowly to other centers also.

India has the core competence to excel in the field of learning. This can be used to build up and manage international quality centers of knowledge. Once again India must emerge as the knowledge source for the world.

### **Healthcare System:**

We have been trying to build healthcare system for our people, again mostly through governmental efforts. Our achievements are significant but compared to the needs of the country they are grossly inadequate. India's policies have been inward looking. In rejuvenating the healthcare systems we have the following options.

We must build world-class healthcare facilities and offer services to the rest of the world. India will have the competitive advantage in terms of skills, knowledge, manpower and cost-effectiveness. In order to create the world-class facilities we may have to collaborate with leading Hospitals and healthcare systems of the world. Equity funding may come from NRIs, foreigners or Domestic Indians. Marketing tie-ups can also be explored. [Recuperation in a health resort after medical treatment is an example of a package that can be offered]

India has great strengths in the area of alternate medicines and alternate medical treatments. This strength needs to be exploited to a great extent. There are traditional houses in the arena of alternate medicines. They need to be encouraged to create modern [world-class] facilities and they need to be marketed effectively. Chains of hospitals and Spas will usher in the concept of health tourism in a big way.

India will have to be marketed as a place for healthcare. This calls for tremendous efforts from a consortium of government, pharmaceutical manufacturers, chains of hospitals etc. Today India does not have hospital chains; it has only individual hospitals and individual medical practitioners. The concept of hospital chains will bring in economies of scale, standardization and quality of services, long-term sustainability and international brand-building.

### **Epilogue:**

India is not a resource-starved economy. It has abundant resources; it has only to remove and dissolve its mental blocks. Encourage, facilitate, nurture and unleash free-play of innovation and entrepreneurship; the resulting synergy will be enormous and boundless.

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