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Session on

***“Make in India” to “Innovate in India”***

Friday, June 26<sup>th</sup>, 2015 | 11.00 AM to 12.15 PM

WWF India Auditorium, 172-B, Lodhi Estate, New Delhi-110003



At the outset both AK Bhattacharya and Soumitra Dutta set off the discussion describing the efforts of manufacturing and innovating in India as an ‘ambitious leap’ and a ‘tough task’.

Mr. Bhattacharya raised some pertinent points in his opening address as to whether there is in place a good ecosystem for manufacturing and innovation in India, whether we value innovation as a nation and how the process of becoming an innovation destination would come about.

Mr Dutta in his presentation identified the new policies that are being put in place and specifically dealt with what more needs to be done.

He gave two examples. First, how Japan, earlier a manufacturer of low price products, transformed into an exporter of high quality products. Then with the example of New York City, he underlined the fact that 'the most dynamic city in the most advanced economy is looking at ways to innovate'. He, therefore, pointed out that the whole world is innovating and tried to identify where India fits in the innovation race. He then went on to deal with the challenges India faced, the guiding principles that must define India's transition and some suggestions on systemic reforms.

### Challenges

- The most important challenge he felt was **branding**. He said that although India is perceived differently today, it is associated with frugal innovation and 'jugaad', which is not ideal for the country as an innovation destination. India's Global Innovation Index rank is sliding downwards.
- He also said that, in India, **investment on innovation** is very low. Most countries invest heavily in Research and Development. He also pointed out that in 5 or 6 years, China is going to overtake the United States in terms of investment on Research and Development. Even in the IT sector, there is not much innovation. He highlighted the fact that the Revenue per Employee of global software technology leaders is much higher than that of Indian leaders. The Revenue per Employee of Microsoft, IBM and Accenture stands at \$877k, \$197k and \$107k respectively as compared to companies like TCS, at \$46k, and Infosys, at \$12k.
- He highlighted the need for better **Human Capital** in the country. Indian universities are ranked very poor globally. Only one IIT features in the top 100 universities in the world. He also said that 'universities in India are very weak in research.'
- A lack of **Innovation eco-system** is another major challenge in the country. Ease of doing business and research collaboration between universities and industries are very low, he said.

### Guiding Principles

- He said that while India is moving in the right direction and that correct steps are being taken, the most important factor is the **speed**. He said that the pace of change

set by other countries like China is very high. And India needs to speed up, individually and in comparison with other countries.

- **Simplicity** is also very essential as a principle for India to become a manufacturing powerhouse and a centre of innovation. India is a very complex country and needs to be simplified and we must 'make life easier for innovators'.
- A **strategic** vision must be adopted to promote innovation in India.

#### Possible Actions

- Most important action, according to Mr. Dutta, is to **frame a vision around innovation**. The country needs a co-ordinated approach and must act in a dedicated manner for innovation to take the country forward.
- **Focussing on strategic areas** is also essential. 'Just having entrepreneurs building business is not enough'. Entrepreneurship must be channelized into strategic areas of focus. He gave the example of how China focussed on high speed trains, which led to an eco-system for research and development in the projects and thereby permitted them to innovate. India, similarly, needs to choose its own focus areas.
- India needs to develop an **innovation eco-system**. He said that there are hubs like Bangalore where which provides an innovation atmosphere, but the rate of innovation needs to be accelerated through creating such innovation eco-systems.
- He said that **research and development must be incentivised** for businesses. Businesses are the drivers of innovation and ease of doing business will promote research and development and innovation in the country. He identified this as one of the challenges to what needs to be done to incentivize established companies to innovate.
- Effort must be made to **stimulate entrepreneurship** in the country. By giving the example of Israel's vibrant Venture Capitalist industry, he highlighted the need for making things easier for starting businesses. Another idea is to 'introduce entrepreneurship in the curriculum of high schools and colleges'
- **Innovation within the government** was another possible action suggested by Mr. Dutta. He pointed out that all the most successful economies in the world have innovation within the government. By this he meant that efforts to simplify processes and using online platforms, among other things.

- Finally he highlighted the importance of access to internet. Information is vital for innovation and internet is the primary source of it. He said measures like introducing right to internet, broadband for all and even free broadband for all must be explored.

Concluding his presentation he reiterated that while India is heading in the right direction, the speed of innovation and the branding of the country will play a key role.

He said that in the process of innovation 'local industry must take the lead, they must be supported by local universities and the government has a very important role to play.'

The following discussion raised some critical points.

- Mr. Dutta said that there is a very **strong relation between innovation and per capita income** of a country. He said that all wealthy countries are innovating at a very fast pace. The difference between the high income countries and the middle income countries, he said, was in the institutions promoting innovation. And the difference among the high income countries, between the top few and the rest, he said, was the difference in innovation in business.
- Replying to the question as to whether the country is as bad as the indicators show, he said that while the indicators, like the Global investment Index ranking, might not be completely accurate, but they must be **looked at as messages** to understand which direction the country is going and where it would ideally like to be.
- On the point of need for **intervention of government through institutions**, Mr. Dutta said that it is very important. 'Government plays a very important role in driving innovation in various ways like directing resources' and therefore 'government should have and can have a very important role in innovation'. He highlighted the need for 'top down' strategic direction and said that 'big ideas need big support'
- On the areas that the country should focus for innovation, Mr. Dutta said, that innovation must look to **solve local problems**. He followed it up by saying that since India's local problems are more or less similar to global problems it will help Indian innovation to extend to the world.

- Mr. Dutta highlighted **the importance of the start-ups** emerging in the country by highlighting that innovation must be ‘top down’ as well as ‘bottom up’. He said that India already has role model entrepreneurs who encourage people to pursue innovation and entrepreneurship.
- In response to the role of tax bureaucracy, Mr. Dutta said that ‘Indian business has capital, it just **needs regulatory support**’

Mr. Dutta then went on to answer certain question from the public.

- On the question of brain-drain, Mr. Dutta said that a lot of talent is coming back to India and nowadays, in both India and China, **the best talent remains at home**. He said that the “challenge is to leverage the talent and enable them to reach their potential”. And therefore talent is insufficient for innovation and it needs institutional support.
- On the question as to what the benefits of innovation for the innovator are, Mr. Dutta highlighted that at the grass root level, **innovators aren’t driven by money**, they are driven by the feeling that their idea needs to be brought to the public.
- On the question as to **cultural conflict** between India and the western countries, Mr. Dutta said that people have now started accepting diversity and identifying it as an asset rather than a hindrance to trade and business.
- On the **outlook of universities towards private partnership**, Mr. Dutta said that the best universities are successful because they are allowed to constantly compete. Partnership with private industry is also very essential. He also pointed out that most successful universities in the US are essentially run by its alumni and universities in India should also promote alumni associations.
- In response to the question on the **state of judicial delivery system**, Mr. Dutta said that ability to enforce contract is very essential for a business and the judiciary is very much a part of the institutional ecosystem for innovation that is envisaged.