



Indian Century

Defining India's place in a rapidly changing global economy

IBM Institute for Business Value

Executive Report

Business Analytics and Strategy

How can IBM help?

To succeed in today's environment, businesses need to lead through increased complexity and volatility, drive operational excellence and enable collaboration across enterprise functions, develop higher-quality leadership and talent, manage amidst constant change and unlock new possibilities grounded in data. The IBM Business Analytics and Strategy practice integrates management consulting expertise with the science of analytics to enable leading organizations to succeed.

India's leapfrog trajectory to growth

India, with its unique advantages of entrepreneurialism, youth and stability, is predicted to become one of the world's highest-growth nations in coming years. A transformation is already underway that promises to remove constraints and support continuing economic advancement. Yet, despite positive forecasts, traditional development may lead India into the ranks of middle, rather than high-income, countries. The IBM Institute for Business Value surveyed more than 1,000 Indian executives to identify a higher-income trajectory for Indian economic advancement. More than half of the executives surveyed pinpointed India's engagement in new global economic ecosystems as a means to leapfrog traditional development paradigms and to sustainably grow India into the ranks of the global economic elite. This executive report outlines a path for India to capitalize on opportunities to make the next few years the beginnings of the Indian Century.

Executive summary

India's inherent advantages position it for strong economic growth. But a recent IBM Institute for Business Value survey of 1,088 leaders of corporations, start-up entrepreneurs, academia and government reveals that while India's future is bright, risks must be addressed to secure India's growth trajectory over the long-term. Improved governance, expansion of social and physical infrastructure, broader capital formation and better skills are all identified as essential for sustained economic success.

Yet, even if these issues are addressed, India might still be trapped by traditional development constraints. To avoid a middle-income trap, India will need to leapfrog traditional economic development paradigms. Indian leaders recognize this. Fifty-five percent of Indian executives surveyed say that emerging business ecosystems will redefine the future of the global economy. And 52 percent plan to start their own ecosystem journey by expanding collaboration with organizations from other industries.

By embracing economic ecosystems, India's influence in the global economy can grow. As a result, India will be able to expand its breadth, diversity and share of global capital. India should be more able to retain, attract and re-engage talent. And the country will be in a position to emerge as a global innovation leader – a key originator of new technologies and business models. India can realize its potential as one of the largest and most important consumer markets in the world, and help shape global business platforms.

55%

of Indian executives say ecosystems will define the future of the global economy

52%

plan to begin their ecosystem journey by collaborating with other industries

55%

believe that ecosystems will promote new business models

India possesses tangible, sustainable advantages

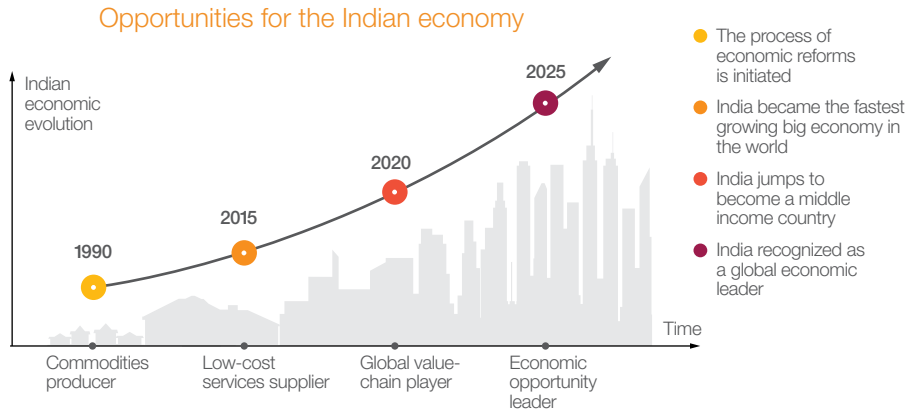
India has distinct advantages that can propel the nation into prolonged economic growth. By 2020, India will have the world's youngest population, and by 2030 will account for almost 30 percent of the world's workforce.¹ By 2030, the nation is projected to have the largest middle-class population in the world, which will reinforce economic growth through increased consumption and investment.² India also benefits from entrepreneurialism and diversity, currently ranking as the fourth-largest source of technology start-ups globally.³

India has a strong institutional framework supported by an independent central bank and robust regulatory bodies. It ranks among the most-favored investment destinations for multinational corporations.⁴ Capitalizing on these strengths will provide Indian leaders with the opportunity to propel the nation into a position of global eminence, moving it from an emerging market economy to one of global economic leadership (see Figure 1).

Growth is expected to help redress many of India's historical challenges, improving productivity and career choices, expanding healthcare, reducing poverty and increasing overall living standards.

Figure 1

India has numerous strengths it can harness to radically transform its economy



Source: IBM Institute for Business Value.

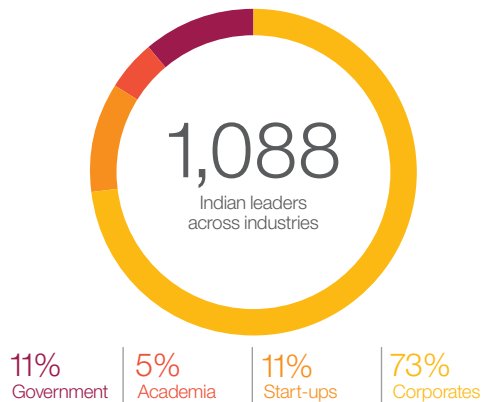
“For the Indian economy to grow, integration into the world economy is very important. Over the last decade we have shown remarkable growth.”

Head of Innovation, Banking/Financial Services organization

Figure 2

Indian executives from corporations, government, academia and start-ups were surveyed about the most important economic growth drivers

Top decision-makers surveyed



Source: IBM Institute for Business Value 2015 survey of Indian leaders, in collaboration with Oxford Economics.

Key growth drivers identified by Indian executives

To understand India's growth nexus, we interviewed 1,088 Indian executives across corporate India, start-ups, higher education and government to get their sense of the roadblocks and opportunities for the Indian economy (see Figure 2).

When asked to identify the most important drivers of economic growth for India, Indian executives identified five factors (see Figure 3):

First (51 percent)

Governance – Executives report that removal of excessive regulation, complicated policies and unnecessary bureaucracy is the leading factor in driving growth. India is currently ranked relatively low in ease of doing business out of 189 countries, so current initiatives underway to reduce regulatory complexity and promote economic vitality will be crucial drivers of sustained economic growth for India.⁵

Second (46 percent)

Social infrastructure – Executives report that adequate social infrastructure is the second most important contributor to economic productivity and well-being. India is currently ranked in the third quartile of the United Nations' Human Development Index, so efforts to improve and expand social infrastructure by both government and private sectors should yield significant productivity returns and a platform for growth.⁶

Third (45 percent)

Physical infrastructure – Indian executives report that physical infrastructure is the third most important contributor to economic growth. Although India is ranked in the mid levels of infrastructure quality globally, Indian executives surveyed rank physical infrastructure a relatively low government priority (ninth overall), suggesting a level of confidence that the private sector can address current infrastructure needs.⁷

Fourth (43 percent)

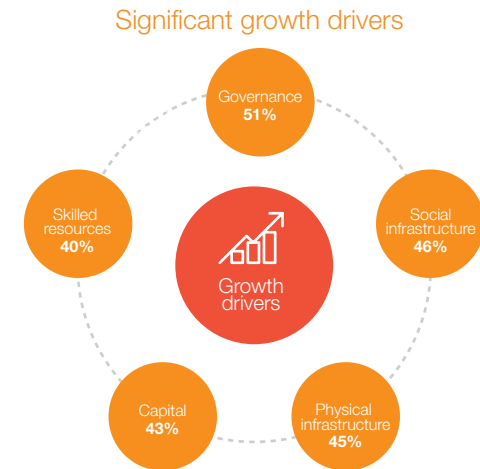
Access to capital – Indian executives ranked access to capital as the fourth most important driver of economic growth. India's current position of 51st in financial market development in the A.T. Kearney Foreign Direct Investment Confidence Index is likely set to rise as ease of doing business improves.⁸ Willingness to embrace global financial markets and a growing Indian start-up community should expand capital access.⁹

Fifth (40 percent)

Availability of skilled resources – Executives rank availability of skilled resources as the fifth most important driver of economic growth. India is currently ranked in the middle of global talent competitiveness by global business school INSEAD.¹⁰ While India has been an exporter of skilled resources globally, demand is expected to increase significantly as Indian growth accelerates.¹¹

Figure 3

The most important drivers of economic growth for India, as identified by Indian executives



Source: IBM Institute for Business Value.

“Our roadblock to a better economy is inadequate skilled manpower and physical infrastructure.”

Head of Strategy, Industrial Products company

“[India has a] great opportunity to move forward and make necessary structural changes to deliver minimum government and maximum governance.”

President, Industrial Products company

Transformation efforts are already underway that are coalescing collaboration among business, government and higher education leaders.

Indian organizations are embracing new forms of technology to overcome constraints and support expanded economic growth. For example, the National e-Governance Plan (NeGP) is a national-level program for improving governance. It aims to improve delivery of citizen services and aids creation of institutional mechanisms and policies through technology.¹²

A more entrepreneurial climate is evolving, supported by expanding deregulation, open capital markets and microeconomic reform. For example, the Indian government is actively planning to improve ease of doing business. Several steps are in process, including simplification of business licensing and rationalization of the taxation system.¹³

Broad-based initiatives are underway to improve education systems to increase qualified resources and expand employability. For example, “Pratham: Out of the Box – Digital Classrooms” is a non-government initiative working to improve education quality with a focus on high-quality, low-cost and replicable interventions.¹⁴

Middling or outstanding?

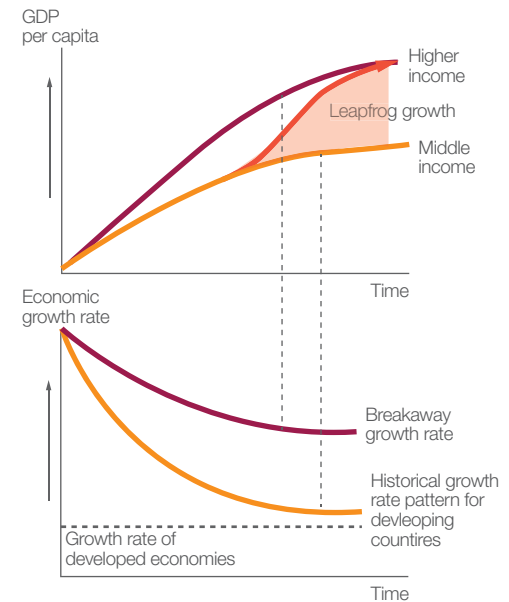
India's efforts are already having a positive impact. The International Monetary Fund (IMF) projects that India's economy is expected to grow by about 9 percent per year over the next five years.¹⁵

But despite this positive forecast, history has shown that high growth rates are difficult to sustain. Many nations that seem on a solid trajectory to high income get bogged down and struggle to move beyond middle income. Constrained labor or capital markets, systemic resource misallocation, under-developed product markets or inadequate openness often derail even the most aggressive economic plans.

For India to avoid a middle-income trap, Indian leaders will need to think outside traditional economic development approaches (see Figure 4). Something more fundamental and transformative is needed that can slingshot India into a global leadership position at the center of emerging global economic ecosystems.

Figure 4

Can India leapfrog economic growth?



Source: IBM Institute for Business Value.

Leapfrog to prosperity

An ecosystem is a complex web of interdependent enterprises and relationships aimed at creating and allocating business value (see Figure 5).

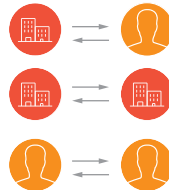
Figure 5

Traditional markets are evolving into more integrated and orchestrated systems – economic ecosystems

In markets, people and organizations operate out of individual self-interest

Traditional markets

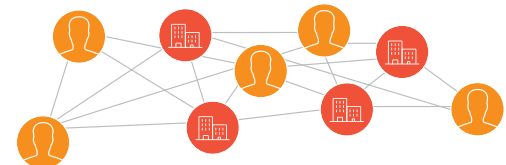
A set of individuals or organizations exchanging products or services within an environment governed by the laws of supply and demand



In ecosystems, people and organizations operate out of mutual shared-interest

Emerging ecosystems

A set of individuals or organizations that formally or informally operate together to produce something of greater value for the mutual benefit of the ecosystem as a whole



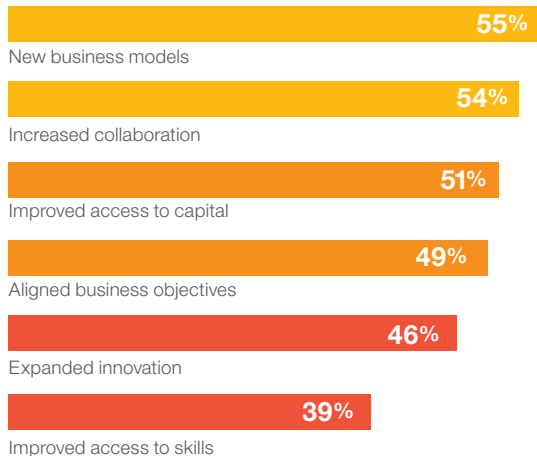
Source: IBM Institute for Business Value.

Ecosystems are already redefining industries. For example, in the automotive industry, manufacturing-centric value chains are yielding to emerging mobility ecosystems, with partner organizations collaborating to create integrated mobility solutions, including co-creation with customers and others within and outside the industry. And other industries, such as retail, are also starting a journey toward rapid formation of new ecosystem-based modes of economic organization.

As with industries, ecosystems will progressively redefine interaction, collaboration and integration across nations. Some countries are already driving integration into global economic ecosystems. For example, leveraging deep technological literacy and expertise, Finland has created a mobile application hub that serves a rapidly growing global mobile ecosystem. As part of this initiative, Finland created a global mobile application development center, AppCampus, that has created substantial value across multiple mobile app ecosystems. Finland is now recognized as a global center of this capability.¹⁶ Similarly, Israel has successfully placed itself at the center of rapidly evolving technology and venture capital ecosystems.¹⁷

Figure 6*Six benefits of economic ecosystems that drive growth*

Top six ecosystem characteristics to expand economic growth



Source: IBM Institute for Business Value 2015 survey of Indian leaders.

Benefits of India-centric ecosystems

Ecosystems can help India ramp up development faster and more efficiently. Our survey found that 55 percent of Indian executives believe that ecosystems will define the future of the global economy, and 52 percent plan to begin their ecosystem journey by collaborating more with organizations from other industries. Executives identified six specific benefits that economic ecosystems can create for India (see Figure 6).

First (55 percent)

New business models – New business models can create new revenue opportunities by monetizing non–revenue producing assets. They can provide impetus for convergence of traditional industries and formation of entirely new activities. In our recent Innovation Survey, 59 percent of Indian executives surveyed said they believe new revenue models are critical to future growth and 45 percent plan to embrace new business models as part of their innovation portfolio.¹⁸

Second (54 percent)

Increased collaboration – Increased collaboration will expand disruptive influences in ideation and decision-making, promoting creativity and enabling faster, more relevant knowledge sharing between India and the rest of the world. Sixty-three percent of Indian executives say that public-private collaboration increases economic vitality, and 58 percent plan to collaborate more with customers.

Third (51 percent)

Improved access to capital – Increased availability of capital will help Indian businesses grow faster by increasing the speed at which new business opportunities can be pursued. It will support a broader range of entrepreneurial opportunities. Fifty percent of Indian executives believe that expanded lending will improve ease of doing business, and 52 percent say more start-up venture funding will drive higher economic growth.

Fourth (49 percent)

Aligned business objectives – Ecosystems will be more likely to prioritize those opportunities of highest value because of the discipline created by greater transparency of decision-making. Alignment of objectives also promotes greater participation of customers and other key stakeholders within ecosystem decision-making processes. Seventy percent of Indian executives in the recent IBM Institute for Business Value Innovation survey said innovation investments should be aligned to customer needs, and 67 percent said that better customer collaboration can help develop higher-value products.¹⁹

Fifth (46 percent)

Expanded innovation – The continuous process of engagement around new initiatives and experimentation across markets and borders will facilitate innovation throughout ecosystems. As a result, Indian organizations will have the opportunity to expand new products and services, create new efficiencies and develop new ways of organizing business. Fifty-seven percent of Indian executives surveyed in the recent IBM Institute for Business Value Innovation survey said that maintaining an innovation focus helps them stay ahead of customer expectations, 50 percent said that it promotes higher revenue growth and 41 percent said that it helps reduce costs.²⁰

Sixth (39 percent)

Improved access to skills – Improved access to skills will remove a major constraint on business growth by eliminating skill bottlenecks quickly and efficiently. Also, it will allow organizations to adjust to the challenges of rapidly evolving global markets more efficiently, while expanding the range of business possibilities available to Indian organizations. Fifty percent of Indian executives would like to partner with countries that possess highly skilled labor, and 54 percent are keen to promote skills development.

“It (an economic ecosystem) brings in integration of economies with cross flows of information, ideas, technologies, capital and finance.”

Chief Information Officer, Major Indian bank

“Two basic factors that kill the ability to innovate are lack of talent and skills and the struggle to define effective business models.”

Chief Information Officer, Government department

Embracing capabilities facilitated by India's engagement in global economic ecosystems will enable India's role in the world to fundamentally transform (see Figure 7).

Indian ecosystems are already beginning to emerge. India is becoming significantly more active in global capital markets, with 800 new technology companies starting up in 2014, as well as nascent ecosystems that include IT, financiers, educational institutions and others.²¹ And other ecosystems are developing around e-commerce activities encompassing retail, logistics, IT and telecommunications.²²

Figure 7

Ecosystems can enable India to transform its role in the world

	2015	2020	2025
Role 1	Supplier India is a provider of low-cost services with technical expertise focused in specific areas	Strategic partner India is a principal provider of a broad range of higher value-adding services, targeting specific capabilities and expertise	Strategic leader India projects global centers of competency across broad and niche skills and services, influencing new learning and ways of doing things
Role 2	Technical center India is the chosen destination for setting up R&D centers by global companies due to solid scientific and technology skills at lower cost	Innovation center India collaborates with other nations to create innovations through its R&D centers, which transform into global innovation centers	Innovation orchestrator India facilitates a broad range of research and innovation ecosystems, promoting sharing within and across areas of activity and knowledge
Role 3	Market participant India plays an important, integrated role in global networks and markets	Market maker India facilitates, promotes and implements common growth agendas across its region	Platform provider India facilitates and manages broad, open platforms for collaboration, ideation and economic development and sustainability

Source: IBM Institute for Business Value.

Is India ready to drive global economic ecosystems?

While most Indian executives agree that ecosystems afford the best path for economic growth, they recognize that many businesses do not yet have the capabilities in place to capitalize on opportunities. Sixty-two percent of those surveyed either disagree or are undecided that Indian organizations and institutions are ready to drive global ecosystems.

A three-step approach can be used to address shortcomings:

Identify opportunities to create value that would be impossible in traditional markets. Indian business and university leaders, entrepreneurs and governments need to identify specific opportunities where organizations can thrive, such as untapped markets and unmet needs.

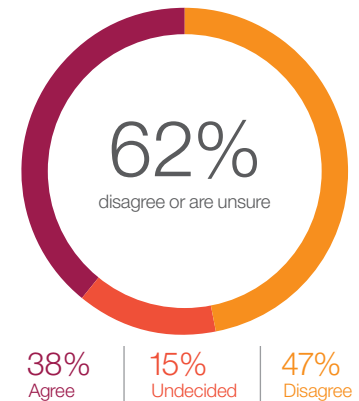
Develop capabilities that are unique and differentiating within emerging ecosystems, expanding upon areas of existing strength, such as economic and political openness, free markets, favorable demographics, language skills and so on.

Build structures to establish and sustain connectivity and collaboration environments. Build environments to support expanding collaboration among businesses, universities, entrepreneurs and governments and extend the collaboration footprint into other countries and markets.

Figure 8

A majority of Indian executives either disagree or are undecided when asked if India is ready to drive global ecosystems

Is India ready to drive global ecosystems?



Source: IBM Institute for Business Value.

Figure 9
Four major groups – corporate executives, higher-education leaders, entrepreneurs and government officials have different perspectives about India's future



Source: IBM Institute for Business Value.

Perspectives and recommendations

Four groups – corporate executives, higher-education leaders, entrepreneurs and government officials – all have different perspectives about India's path to global economic leadership.

Corporate

Corporate leaders rated innovation and increased collaboration as the top benefits of economic ecosystems for India. And more than half say ecosystems will trigger business-model innovation, improve access to capital and help align business objectives.

Key recommendations

Identify opportunities	<ul style="list-style-type: none"> • Determine roles corporate India can play to align with impending transformation • Identify skills companies need to develop to participate, partner and orchestrate effectively in economic ecosystems • Establish ways companies can bring people and organizations together to achieve common objectives.
Develop capabilities	<p>Expand engagement with ecosystem partners</p> <ul style="list-style-type: none"> • Pursue engagement with ecosystems as a central and strategic business activity across all levels of the organization <p>Embark on a cultural transformation</p> <ul style="list-style-type: none"> • Consciously begin the journey to transform corporate culture with a focus on entrepreneurialism and building relevant skills <p>Build innovation capabilities</p> <ul style="list-style-type: none"> • Explicitly create a business case for innovation, allocate specific funding and build robust governance for innovation.
Build structures	<p>Establish ecosystem relationships</p> <ul style="list-style-type: none"> • Drive formation of new commercial relationships. Identify mutual interests and benefits and support their evolution into a more extensive ecosystem of engagement <p>Lead in engaging broader communities</p> <ul style="list-style-type: none"> • Take a leading role in engaging with communities, universities and government. Articulate future skill needs and partner in developing policies and programs for economic growth <p>Become an innovation facilitator</p> <ul style="list-style-type: none"> • Position as a focal point of innovation by promoting ideation and creating environments in which diverse groups can come together.

Start-ups

Start-ups can leverage ecosystems to establish themselves quickly. Sixty-three percent of start-ups see better access to capital and 53 percent see increased collaboration as key factors to promote economic growth. Fifty-three percent say ecosystems will trigger business-model innovation. Ecosystems will help start-up entrepreneurs expand access to capital, improve expertise and promote cross-pollination of ideas.

Key recommendations

Identify opportunities	<ul style="list-style-type: none"> • Identify roles start-ups can play to expand their impact in the economy • Align activities to fit within economic ecosystems and identify ways to create increased value in ecosystems • Conceive new ways to lead or orchestrate ecosystems and build capabilities required to pursue such roles.
Develop capabilities	<p>Broaden horizons beyond core functions</p> <ul style="list-style-type: none"> • Use entrepreneurial skills to look beyond core business functions to anticipate new opportunities to participate in ecosystems <p>Pursue collaboration</p> <ul style="list-style-type: none"> • Be proactive in collaborating with other organizations and individuals and pursue ecosystem partners in areas that could be still emerging <p>Articulate value proposition</p> <ul style="list-style-type: none"> • Identify and articulate the value start-ups can bring to ecosystem partners and quantify the value that can be derived from ecosystems.
Build structures	<p>Organize for ease of participation</p> <ul style="list-style-type: none"> • Design operations to plug easily into ecosystems and seek opportunities to be a conduit for other ecosystem partners to integrate <p>Initiate new ecosystems</p> <ul style="list-style-type: none"> • Conceptualize the full range of complementary capabilities and business opportunities whenever investing in new areas of activity <p>Identify and connect with mentors</p> <ul style="list-style-type: none"> • Identify and collaborate with potential mentors from other economic stakeholder groups to benefit from synergies realized out of such engagement.

Higher education

Higher education leaders identified improved collaboration and business-model innovation as key benefits of economic ecosystems for India. Ecosystems will help higher education expand access and quality of education, align skills of students with the emerging economic needs by continuously evolving curricula and promoting continuous learning and upskilling in the labor market.

Key recommendations

Identify opportunities	<ul style="list-style-type: none"> • Identify ways in which industry-academic collaboration can be made ubiquitous to expand economic growth • Conceive necessary new structures higher education should develop to collaborate more effectively in economic ecosystems • Establish what actions higher education should take to produce best-in-class, globally competitive talent.
Develop capabilities	<p>Facilitate skills enhancement</p> <ul style="list-style-type: none"> • Continuously engage with public/private entities to understand their skill needs and facilitate skill enhancement across ecosystems <p>Expand education access</p> <ul style="list-style-type: none"> • Introduce new technologies that will promote expanded, more efficient and universal access to all levels of education system <p>Improve education standards</p> <ul style="list-style-type: none"> • Engage more with global counterparts to understand best-in-class curricula, education methods and delivery to promote world-class skills development.
Build structures	<p>Establish an engagement model</p> <ul style="list-style-type: none"> • Develop a formal engagement model and governance to partner with private sector and government and understand areas of mutual value creation <p>Expand engagement with ecosystem partners</p> <ul style="list-style-type: none"> • Broaden engagement scope beyond traditional roles, influencing activities, perspectives and innovation across ecosystems and build commercialization capabilities <p>Create technological infrastructure</p> <ul style="list-style-type: none"> • Seek out partnering opportunities based on common investment objectives and actively engage to realize knowledge- and cost-sharing benefits.

Government

Public sector leaders believe high, sustainable growth is achievable by aligning investment objectives (52 percent) and fostering innovation (51 percent). Exposure to global ecosystems will help government stimulate continuing economic transformation and promote a culture conducive to collaboration.

Key recommendations

Identify opportunities	<ul style="list-style-type: none"> • Establish ways in which governments can accelerate economic transformation • Identify constraints to enterprises playing leading roles in global economic ecosystems and remediate them • Find ways to promote a business culture conducive to the emergence of open ecosystems.
Develop capabilities	<p>Pursue cultural transformation</p> <ul style="list-style-type: none"> • Pursue ways to become a growth partner rather than just a regulator of activity, and transform public sector attitudes from “stopping things happening” to “making things happen” <p>Expand sphere of engagement</p> <ul style="list-style-type: none"> • Expand skills of public-sector employees toward greater focus on entrepreneurialism and innovation <p>Embrace agile, flexible decision-making</p> <ul style="list-style-type: none"> • Promote greater agility and flexibility in decision-making, reduce traditional bureaucracy and adapt leading practices in effective decision-making.
Build structures	<p>Create centers of collaboration</p> <ul style="list-style-type: none"> • Create strategic centers of collaboration – physical and virtual – where potential ecosystem participants can converge, create and ideate on areas of potential innovation and growth <p>Engage in continuous economic transformation</p> <ul style="list-style-type: none"> • Sustain a continuous process of micro and macroeconomic reform centered on removing impediments to growth and aiding in creation of new markets, business models and technologies <p>Focus on technology prowess</p> <ul style="list-style-type: none"> • Lead the way in adopting new technologies to promote good governance, transparency, connectivity and efficiency.

For more information

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Conclusion

India has unique advantages, and based on those advantages and national recognition that economic transformation is essential for India’s long-term well-being, the nation is already making strong progress toward economic advancement. Yet, India’s place in the ranks of the highly developed world is not assured. Risks remain that current growth will limit India’s trajectory into the ranks of middle-income nations. But this need not be the case. More than half of Indian executives we surveyed identified India’s engagement in new global economic ecosystems as a means to leapfrog traditional development paradigms and to sustainably grow India through the ranks of the global economic elite. If corporates, start-ups, educators and governments can come together in the pursuit of economic collaboration and advancement, India’s future is boundless, and indeed the Twenty-First Century will be remembered as the Indian Century.

Are you ready?

What new opportunities might be available to your organization if you collaborate aggressively, and work more closely with best-in-class partners?

What unique capabilities does your organization possess to facilitate interacting with other potential ecosystem partners?

How can your organization support India becoming a leading player in the emerging global ecosystem economy?

About the authors

Clifford Patrao is Director and Leader of Business Analytics & Strategy in IBM Global Business Services, India/South Asia. He has worked as a business consultant in areas of Strategy and Change for the last 18 years. Clifford has managed engagements in a wide variety of industries, such as Industrial Products, Consumer Goods and Telecom. He can be reached at clifford.patrao@in.ibm.com

Madhuri Banda is Senior Managing Consultant and leads IBM Institute for Business Value studies in India. Madhuri has over 17 years of work experience across corporate strategy, business and management consulting, marketing strategy, business development, solutioning/transitions, program management. She previously worked on the 2011 CMO Study and other IBV studies on innovation, healthcare and life sciences. Madhuri can be reached at madhuri.banda@in.ibm.com

Anthony Marshall is Research Director and Strategy Leader in the IBM Institute for Business Value. Anthony has consulted extensively with U.S. and global clients, working with numerous top-tier organizations in innovation management, digital strategy, transformation and organizational culture. He has also worked in regulation economics, privatization and M&A. Anthony has more than 20 years of consulting, research and analytical experience. He can be reached at anthony2@us.ibm.com

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Route 100
Somers, NY 10589

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