Ecosystem India

Making India essential in the global ecosystem economy

How IBM can 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. For more information, visit: ibm.com/services/us/gbs/strategy/

A leadership opportunity

Technological evolution is disrupting traditional industries and driving change across economic structures, promoting the emergence of new global business ecosystems. India is poised to take great advantage in the new ecosystem economy, and perhaps even assume a leadership role. But to succeed, Indian business leaders need to take steps now to best position the country to apply its many assets and most effectively seize the opportunity that the ecosystem economy presents.

Rapidly advancing technologies have been disrupting traditional industries, promoting formation of new global business ecosystems. India can play a key strategic role in these emergent cross-industry ecosystems. The country boasts a set of strengths that leave Indian businesses uniquely equipped to succeed in a global ecosystem economy. A widespread entrepreneurial culture, strong investor confidence, a vibrant diaspora, a skilled workforce, supportive government initiatives and strengthening institutional engagement all work to support India's global aspirations. This report identifies specific steps that Indian businesses, universities and governments can take to realize India's full potential at the center of rapidly evolving global business ecosystems:

- Identify opportunities to collaborate and participate in ecosystems
- Develop capabilities to create value from ecosystems
- And build structures that promote ecosystem connectivity.

ec·o·sys·tem / ek-oh-sis-tuhm/
Noun
Origin: 1935

1. A community of organisms together with their physical environment, viewed as a system of interacting and interdependent relationships
2. A complex network or interconnected system

54% of Indian executives expect ecosystems to replace traditional value chains with new value models[1]

63% of Indian executives say partnering will be essential to building capabilities[2]

60% of Indian executives see a shift in consumer attitudes from products and services to experiences[3]

Divining disruption

Technological advancements are driving major change in traditional economic structures. In the recent IBM Global C-suite Study, 82 percent of the 778 global CEOs surveyed reported that traditional business landscapes have changed dramatically due to increasing digital interactions.[4]

Innovators are disrupting traditional industry leaders globally. Uber has a market valuation almost 15 times greater than long established player Hertz.[5] Airbnb has a greater market valuation than Hilton Hotels and Resorts.[6] China-based WeChat's market valuation is more than twice that of China's largest fixed-line company, China Telecom.[7] And Amazon is valued more highly than Walmart.[8]

Fifty-five percent of global executives believe that traditional value chains are being fragmented and replaced through a process of functional decomposition.[9] Fifty-one percent of global executives say that boundaries between industries are blurring as new players emerge to compete in specific functions, irrespective of industry.[10] And 69 percent of global CEOs rate the emergence of business ecosystems as the most impactful new business trend (see Figure 1).[11]

Figure 1
Industries redefined
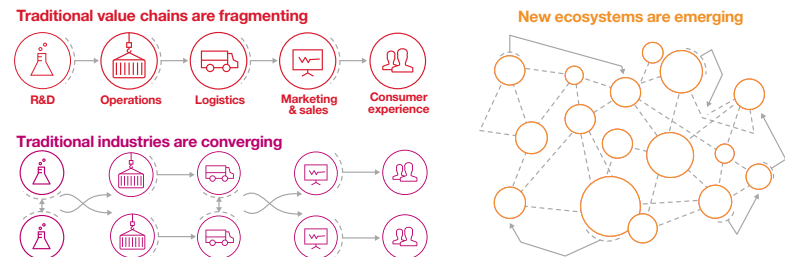
Source: IBM Institute for Business Value.

From industry to ecosystem

An ecosystem is a group of interconnected businesses, organizations and individuals that form to pursue a shared objective. Ecosystems might be formal or informal, explicit or implicit, regional or global, industry-specific or industry-agnostic. Increasingly, startup businesses are playing a central role in business ecosystems, accelerating innovation and at times displacing traditional business models. In a 2016 survey of 2,151 global business leaders, the IBM Institute for Business Value found that 92 percent of Indian executives, and 90 percent of global executives, expect to change their primary business activities due to the emergence of global ecosystems.[12] Eighty percent of global executives also anticipate that the nature of business value allocation will be transformed by new ecosystems (see Figure 2).[13]
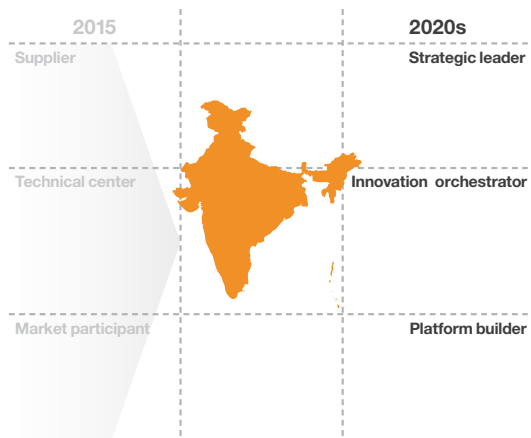
Figure 2

Ecosystems are driving business transformation

92%

of Indian executives expect to change their primary business activities due to the emergence of global ecosystems[14]

Source: IBM Institute for Business Value.

Figure 3

India is poised to become an ecosystem leader

Source: IBM Institute for Business Value.

The rapid development of ecosystems presents a compelling new opportunity for India to become an ecosystem leader across multiple dimensions (see Figure 3). From a traditional supplier of labor, skills and other inputs over recent decades, India can transform into a strategic leader, establishing global centers of competency across a broad range of skills and services. From a global center of technical capability, India can emerge as an innovation leader — an orchestrator — facilitating a broad range of research across innovation ecosystems and promoting creativity and knowledge sharing. And from a traditional market participant, India can become a platform builder, facilitating and managing broad, open platforms of collaboration, economic development and sustainability.

In banking, for example, India has immediate potential to play a central role in rapidly growing global financial technology (fintech) and programmer ecosystems. In healthcare, India can become a key source of high-quality, reasonably priced remote and in-person services. In chemicals, petroleum and pharmaceuticals industries, India can play an ever more integral role in basic research, clinical trials and product development.

Unique India

India holds major advantages as the ecosystem economy emerges — key qualities that align closely with how ecosystems operate (see Figure 4).

Figure 4

Indian cultural and economic factors supporting ecosystems
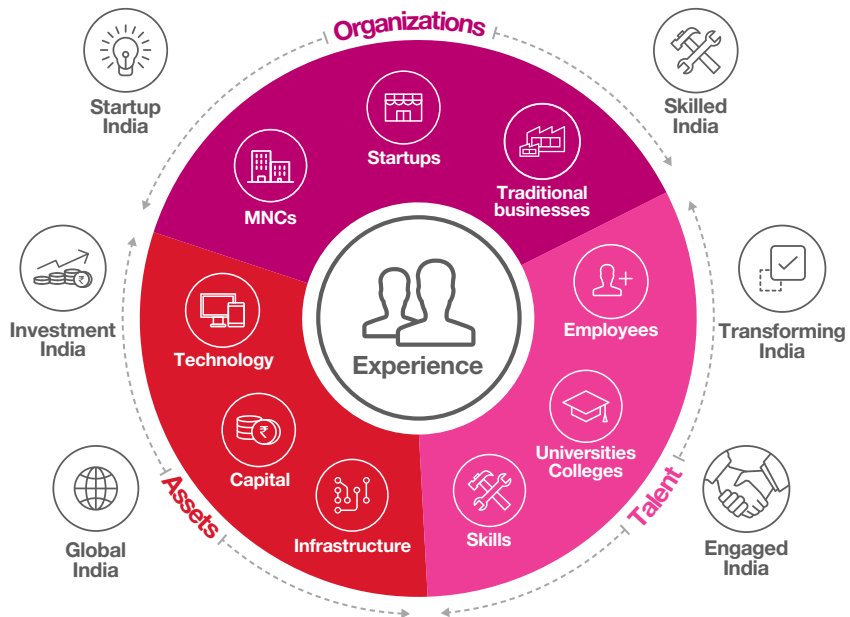
Source: IBM Institute for Business Value.

Startup India

Entrepreneurship is at the heart of India's economy. After the United States and the United Kingdom, India leads the world in the formation of startup ecosystems.[15] As of early 2014, the Indian economy included more than 48 million small businesses, twice as many as those recorded in the United States.[16] India ranks highest in the percentage of successful women entrepreneurs, relative to men, among all major countries.[17] And India's entrepreneurs are the youngest globally, with 72 percent of them under the age of 35.[18]

Paytm is a good example of a successful Indian start up. Established in 2010, Paytm is now one of India's largest and mobile wallet businesses, with more than 122 million users. Paytm is aggressively building an ecosystem comprising a marketplace of 170,000 registered sellers, and the company's technology supports payments for Uber ride services in India and, soon, abroad.[19]

Investment India

Investors are optimistic about India's growth prospects. India ranked first among key markets across Asia (excluding Japan) in investor confidence.[20] And foreign direct investment (FDI) in India reached a historical peak of nearly USD 41 billion between April 2015 and December 2015.[21]

India has set a mammoth goal to build solar power capacity of 100 gigawatts, permitting 100 percent foreign investment in the project. And several global investors have taken note. Japan's SoftBank, India's Bharti Enterprises and Taiwan's Foxconn Technology announced a USD 20 billion joint venture to develop solar energy plants in India. The U.S.-based SunEdison, which intends to invest USD 15 billion by 2022, announced a joint venture with Adani Group, India to manufacture

photovoltaic modules. China's Trina Solar has partnered with Welspun Energy, India and plans to invest USD 500 million to make panels.[22]

Global India

India's economy is uniquely open and interconnected. Sixteen million India-born people lived abroad in 2015, and they accounted for large proportions of major economies abroad. In the United Kingdom, for example, Indians are the single largest ethnic minority, comprising 9.6 percent of the total foreign-born population.[23] And Indians make up more than 18 percent of the Asian population in the United States.[24]

The Indian global diaspora contributes significantly to the economic growth of India. Indians around the world remitted more than USD 70 billion to their native country in 2014.[25] And many India-born professionals have attained senior roles in major corporations, where they can reinforce focus on the Indian economy and markets. For example, Google recently announced a partnership with Indian Railways to deliver high-speed Wi-Fi to more than 10 million people in 100 of the busiest train stations across India by the end of the 2016.[26]

Skilled India

Many expect that India will soon have the largest skilled resource pool of any country. With the number of engineering institutes growing from hundreds to thousands over the past two decades and with 65 percent of the Indian population under the age of 35, India is predicted to have a skilled workforce of more than half a billion people by 2022.[27]

The potential for success is apparent. Already, more than 10 percent of new apps released globally are the work of almost 3 million developers based in India or by Indians abroad.[28] Examples of successful app development businesses abound,

and include Tizen, which maintains an open-source, standards-based software platform; VMAX, a startup that helps developers monetize apps through advertising; and Textient Analytics, which leverages artificial intelligence to automate provision of market research and strategic insights.[29]

Transforming India

The Indian government is also seeking to accelerate economic transformation through innovation. Initiatives such as Startup India, designed to grow startup development and boost entrepreneurialism, and Make in India, aimed at expanding India's presence as a global manufacturing hub, seek to create an economy more conducive to growth.[30]

The Digital India initiative is designed to dramatically improve the reach of, and access to, government services by leveraging digital platforms.[31] It aims to provide digital infrastructure as a core utility to every citizen and provide citizen services on demand. This initiative is not only supported by Indian corporations such as Reliance and Tata, but also global corporations such as Cisco, Qualcomm, Adobe and Apple.[32]

Engaged India

Indian businesses and universities are increasingly promoting entrepreneurship and innovation. Universities are striving to create more relevant curricula and more explicit job training opportunities for students. Plans are afoot to integrate entrepreneurship education into curricula in 3,000 colleges across India. Entrepreneurship education is also planned at more than 300 industrial clusters as well as in 50 eHubs.[33]

The Confederation of Indian Industry, India's largest association of industries, partnered with the Department of Science and Technology to organize the annual India Innovation Initiative, which seeks to incentivize innovation. Select innovations receive funding support, incubation, mentoring, and industry connections with business incubators, angel investors, venture capitalists and mentors.[34]

With these advantages, India has the potential to excel in the most dynamic high-growth areas of the global economy. However, competition for ecosystem leadership will intensify, with specific roadblocks emerging that India will need to overcome.

Disrupting disruption

Indian executives acknowledge the disruption that ecosystems will bring. Sixty-one percent recognize that new economic structures will enable non-traditional competition; 55 percent note that ecosystems will lead to greater scrutiny by regulators and others; 60 percent foresee the possibility of new regulation and compliance challenges.[35]

However, despite these concerns, a majority of Indian executives remain convinced of the importance and potential rewards of working in ecosystems — with 66 percent stating that ecosystems are the most effective way to access new markets.[36]

Steps to success

To help maximize and capture benefits from ecosystems, business, educational and government leaders can pursue three key steps (see Figure 5).

Figure 5
Starting the ecosystem journey

Value Creation

Identify opportunities	Develop capabilities	Build structures
Capitalize on the future	Identify your core value proposition	Establish connectivity and collaboration
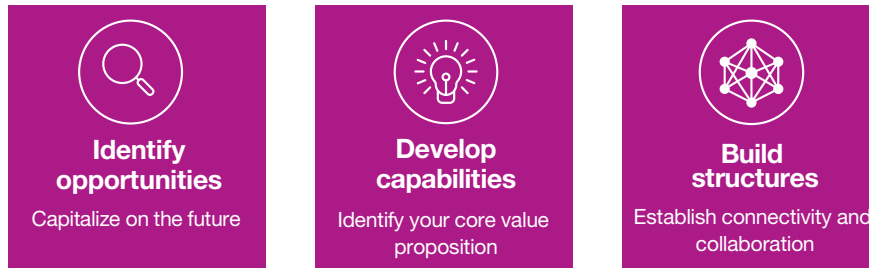
Source: IBM Institute for Business Value.

Step 1: Identify opportunities to collaborate and participate in ecosystems
To thrive in business ecosystems, Indian organizations will first need to assess potential partnership opportunities that create higher mutual value. Value might be related to external business objectives, such as target market expansion, or to internal areas, such as accelerating technology adoption, making supply chains efficient or gaining better access to a broader range of human skills. Organizations should promote openness, transparency and flexibility as they scan changing market and customer environments in pursuit of new opportunities. And they should expand the aperture of possibilities based on the potential to create something they couldn't if they had to go to market alone.

Step 2: Develop capabilities to create value from ecosystems
Indian organizations need to play to their strengths and extend capabilities in which they have a comparative advantage or in which they excel. Ecosystems reflect coalitions of different participants doing different things based on their relative strengths. So, rather than superficially defaulting to the view that an organization can and should do everything, companies should focus resources on those areas in which they can excel to world standard, and seek partnerships with other complimentary organizations that are similarly committed to being exceptional.

Step 3: Build structures that promote ecosystem connectivity
Indian organizations should especially identify and deploy business or operational models that exploit the unique advantages that India brings to global markets. With key partners, Indian companies should jointly identify opportunities for mutual gain, irrespective of whether those opportunities cut across regional, national or industry lines. Organizations should look for opportunities to collaborate both in the physical or virtual worlds, exchanging ideas, initiatives and knowledge. Where forums are not immediately available, organizations should consider building centers of engagement themselves, highlighting the possibility of collaborating directly with customers and educational institutions, as well as other interested parties, such as regional or national bodies. Companies should keep an eye on new and emerging technologies that might help redefine markets to customer preferences, or which might more readily facilitate communication among ecosystem participants. And organizations should pursue deeper understanding of the rules and capabilities associated with the application program interface (API) economy, which will provide much of the connectivity for ecosystem partners to share data and information.

Excelling in an ecosystem economy

India benefits from significant advantages that position it to excel in a rapidly evolving ecosystem economy. By applying these benefits, Indian organizations can play a central role in a new generation of economic exploration and success.

Key questions

- What kind of ecosystems do you currently participate in, and what value you realize from them?
- What challenges do you face in identifying and collaborating with potential ecosystem partners?
- How can your organization create a culture of openness and collaboration within and outside your industry segments?
- What types of skills do you need to participate in or orchestrate ecosystems?
- What unique characteristics can Indian companies leverage to form and sustain ecosystems?
- What unique roles can they play in bringing consumers, governments, universities and organizations together in support of common objectives and aspirations?

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