26

An Industry-Government Partnership for 2020

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"NASSCOM[1] puts the heaviest foot down on software piracy".

The image of NASSCOM former President, Dewang Mehta on an elephant crushing pirated CDs in the busy market of Nehru Place in Delhi (the hub of piracy) is hard to forget. And while this could be viewed as a gimmick, it is reflective of the journey of the Indian information technology industry that has emerged as the leading global sourcing destination, despite many odds. It was a strong message given at a time when the industry was just starting its journey.

The beginning of a new decade always raises a debate on will be there be new industries that will emerge as game changers and while we look for these answers, an industry that has powered the previous decade for India is the information technology sector. I am very optimistic that this sector will not only continue to grow, but has the potential to be the game changer in the new decade also.

Having spent a significant part of my career in this industry, I do feel there are some unique features which have powered this industry – the collaborative role of industry through

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1   An association that serves the interests of IT services companies.

NASSCOM and the government-industry partnership. Of course, the legendary entrepreneurs in this sector have played a stellar role in defining the values, culture and innovative capabilities of this sector.

The IT-BPO (information technology and business process outsourcing) industry has played a significant role in transforming India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services. The industry has helped India transform from a rural and agriculture-based economy to a knowledge-based services economy. The services sector today contributes to over 60 percent of Indian GDP and the per capita GDP contribution of employees in this sector is about 80 times that of a person employed in the agriculture sector.

I cannot think of any other industry that has grown from US$3bn in 1998 to over US$70bn in 2010 – emerging as the largest employer in the organised private sector, creating 45 percent of incremental urban jobs and providing direct livelihood to over 2.2 million people and indirect employment to an additional 8 million people. In this journey, the industry has created opportunities, aspirations and global mindsets for the youth in the country.

India in the 90s was equated with low cost and low quality and the industry recognised that if it needed to work with global partners, world class quality is the need of the day. Thus, began the journey to achieve the best quality certifications globally. Interestingly, the Motorola center in India was the first to achieve CMM Level 5 and India quickly had more CMM level 5 companies than any country; with even global customers at a lower level of certification.[2] Quality became the hallmark of the industry and is even today a distinguishing value proposition for India.

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2   'Capability Maturity Model' – Level 5 is the highest classification in the IT industry.

Building an aspirational vision and delivering on that is another unique trait for this sector. NASSCOM partnered with McKinsey & Co in 1998 to draw out a vision for the next ten years – build a US$50bn export sector by 2008, employ 2 million people and contribute to 4 percent of India's GDP. Most people then believed that these were tall numbers that were not unlikely to be achieved – however, the industry demonstrated that despite two global downturns it could realise this vision.

There is a perception that this industry has grown in spite of the government, however, the reality is that there exists a deep partnership which has enabled our industry to grow. Creating a facilitatory business environment, focusing on talent development and helping the industry address opportunities and challenges have been the key areas that have helped us.

Given the global nature of this industry and the focus on skilled talent movement across borders, the role of the Indian missions has also evolved over time. From just supporting delegation visits, Indian missions today are engaged across facilitating business partnerships; image building, representing India on NTBs and protectionism to taking leadership on issues like balance of trade.

While the Y2K era was a boon for the Indian technology industry enabling customers to move work offshore, marketing this industry to global customers located across continents has been no easy challenge.[3] NASSCOM partnered with the Indian missions overseas to organise 'Software India' seminars, participated in trade shows like CeBIT, Comdex (held respectively in Germany and in the US), and put together special marketing supplements in Forbes, Fortune etc. While this did create awareness, the highlight was the inclusion of Bangalore in the iternary of visiting heads of state from key

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3 Y2K was seen as a problem in the year 2000 for computers – it was also called the 'Millennium bug' issue.

countries. As global presidents/prime ministers visited Bangalore with its sprawling and state-of-the-art IT campuses, it quickly got the tag of India's Silicon Valley and many global multinationals chose this city to build their India base.

The journey of course had its own share of hurdles and setbacks. The arrest and detention of an industry CEO at Indonesia and later at Netherlands brought to fold a new challenge, wherein the government through its missions demonstrated its belief in the industry and ensured these incidents were amicably resolved.

In recent months, the issue of protectionism has taken centre stage in key markets and the Indian Heads of missions and their teams are fully engaged with local politicians, businesses, associations to communicate the possible negative impact such trends can create and provide platforms for discussions, facts and perspectives. The team at Washington is monitoring legislative bills being introduced on a daily basis, analysing their impact and making strong representations. I have been on numerous late night calls with the team and believe they are truly our voice on the Capitol Hill and with the US Administration.

While we deal with the negative sentiments, the industry and missions will need to step up their communication for local administrators and society to view India as a genuine partner helping US companies become more productive and efficient; help them grow business and also be a net contributor to the economy and job creation. It is interesting that apart from hiring in local markets, companies are engaged in long term initiatives like educational development and societal contributions.

Infosys Technologies has funded projects across leading US universities and is actively engaged with science foundations in the US to enable greater focus on Science, Technology, Engineering and Mathematics (STEM) in the

country. Wipro Technologies is setting up a US$50mn state-of-the-art data centre in North Carolina wherein all construction and technology assets are sourced locally. TCS has set up a large centre in Ohio and has been organising 'Tata Olympics', a series of IT based challenges designed to create interest in IT careers at an early age, for high school students. While these are great initiatives, it is important that these are aggregated and communicated across stakeholders.

In countries like China and Russia, I have been pleasantly surprised to see our missions focusing on building opportunities for the technology sector to help India equalise the balance of trade that is skewed so much against us. The Embassy in China earlier this year put together a high level business partnership programme that was attended by leading companies from India and relevant heads of the state owned enterprises in China. The focus of the discussion was – how can India address the technology needs of these enterprises. Similarly for Russia, a visit is being planned this year to create business opportunities with government and public sector. Both these markets are traditionally viewed as 'difficult' for the industry and leadership through the missions may enable this to truly happen. In other developing economies as well, the missions are taking a role to build opportunities for the industry, collate focused reports and proactively work with NASSCOM to create bilateral opportunities.

As we look ahead, there are some global mega trends that will redefine the future. Demographics, rise of Asia, technology enabled collaboration and innovation will hitherto present new opportunities for countries and industries.

India is expected to play a much more strategic role globally, both driven by its domestic demand as well as the knowledge power that it can generate. The information technology industry in partnership with the government can enable this strategic role both for emerging markets as well as the developed world.

NASSCOM's future vision outlines that the industry has the potential to aggregate revenue of US$225bn by the year 2020 – however, 80 percent of the incremental opportunities will come from sectors that the industry has not tapped till now. Building a business in new markets with new customers and in new verticals will help the industry to realise this vision.

To achieve this, the industry will need a fundamentally different business model – enhanced focus on globalisation, innovative applications and solutions, partnerships and domain capabilities. Industry will need to act more local in key markets it operates and focus on inclusion.

In addition, the partnership with the government and in particular the missions overseas will need a different thrust. India's role will most likely emerge as a 'soft power' and public diplomacy could be the thread that will bind our trade partners to address bilateral and multilateral issues.

To my mind, an industry partnership with the Indian missions could focus on the following:

- **Influencer**: The rise of India in the global economic landscape will witness protectionist sentiments taking centre stage. The demographic dividend that India can reap will require movement of professionals across borders. It is important that India's trade partners view the relationship of trade as a two way street and sourcing solutions from India as a part of the global value chain. Much like how China is viewed as integral to manufacturing, India will need to be viewed as a key resource for knowledge services. The Indian missions can take leadership in leveraging public diplomacy to counter negative sentiments and provide factual perspectives to generate positive outcomes.
- **Brand and Image:** India is seen globally as a land of contradictions. From the positive headlines of 8-9 percent GDP growth, negative stories on communal divide, poverty, corruption etc. are the highlight for global

media. There is a strong need for India to have a coordinated communication and brand management group anchored through the Indian missions. Using social media and the large NRI community, the government can shape influences and also counter negative news.

- **Trusted Partner**: As Indian industry will expand across developed and developing markets, India will need to emerge as a trusted partner – engaged across societal initiatives, integrated with the local economies, diverse workforce and following the laws of the country. Indian missions in partnership with the industry can help build this partnership, aggregate existing and new initiatives and communicate outcomes.

- **Market channelisation**: The industry is expanding and setting up new centers across Latin America, Eastern Europe, China, Sri Lanka, Philippines etc. The missions are already playing a significant role in helping the industry to set up in these markets. Going forward, it would be important to aggregate these investments and help in opening up local markets in these countries.

- **Co-creation for emerging markets**: India as a part of its public diplomacy initiative will play a more strategic role in emerging markets – Africa, Euro Asia, South Asia etc. A partnership with NASSCOM can be created to build a repository of information technology offerings that can be leveraged in these markets – commercially and as government aid. These offerings could include - E-governance solutions for passports or UID;[4] scalable solutions for training and skill building; entrepreneurship programmes for local companies etc. This would help the industry to enter into new markets and help the government build a strategic leverage.

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4 UID is a major Indian initiative launched in 2009, to provide each citizen with a 'unique identity document' incorporating high-grade biometric safety

- **Global trade in services**: From the current relationship of bilateral trade, there will be a lot more focus on multilateral trade. We are already witnessing new regional groups come up – IBSA, EAS etc. Negotiating a common work visa across 27 EU countries is a complicated task, but will be the need of the day. Similarly as new trading blocs come up, the missions will need to work across regions to enable common policy frameworks and regulations.

The tasks that lie ahead require more complex policy intervention and strategic focus. The government has taken a phenomenal initiative to bring all heads of mission together annually in Delhi and share current and future priorities. However, to realise our ambitions for the future, the missions will need to be staffed better and capacity building will be critical. For multilateral activities like WTO, FTA negotiations – we need a dedicated team of negotiators.

The industry of course will also need to look beyond short term business opportunities and bottom line benefits to create a long-term strategic partnership. The industry will need to invest in resources that can study trade agreements and raise industry aspirations on what can be achieved in these FTAs. Innovation, collaboration, globalisation coupled with sustainability will define the companies of tomorrow.

In conclusion, public diplomacy will be a strategic lever for India and will need to work across all international stakeholders – government, industry and society.