

## Productivity Week 12-18 February, 2012

### “Productivity and Innovation – Enablers for Emerging Economy”



The ongoing process of economic globalization has opened a new arena of opportunities and challenges for businesses specifically in the emerging economies of the world. Even economies that have generally refrained from active industrial policy in recent years now seek new ways to improve the environment for innovation in order to boost productivity and growth. Undoubtedly, the capability to innovate and to bring innovation successfully to market will be a Crucial Determinant of Global Competitiveness of emerging economies over the coming decade. There is growing awareness among policy makers that innovative activity is the main driver of economic progress and well-being as well as a potential factor in improving global challenges specifically in domains such as the environment and health. Not only innovation and productivity augmentation has moved to centre – stage in economic policy making, but there is a realization that a coordinated coherent, “Whole-of-Government” approach is required.

Today innovation performance is a crucial determinant of competitiveness and national progress. Moreover, innovation is also important to help address global challenges, such as climate change and sustainable development. But despite the importance of innovation, many emerging economies face difficulties in strengthening performance in this area. Indeed, these economies have seen little improvement in productivity

performance in recent years despite the new opportunities offered by globalization and new technologies, especially the information and communication technologies (ICT).

Realizing that innovation is the engine for the growth of prosperity and National Competitiveness in the 21<sup>st</sup> Century, the Government of India has declared “2010–2020” as the ‘Decade of Innovation’ which marks the beginning of the journey for India to reach a position of global leadership powered by a robust innovation driven economy.

To take this agenda forward National Innovation Council has been set-up to discuss analyze and help implement strategies for inclusive innovation in India and prepare a road map for innovation 2010–2020 by creating a framework for evolving an Indian model of inclusive growth. The National Innovation Council will develop and champion innovative attitudes and approaches, identify ways and means to scale and sustain innovations, facilitate innovations by SMEs and encourage academic and R&D establishments for innovations..

According to National Knowledge Commission, innovation is defined as a process by which varying degrees of measurable value enhancement is planned and achieved, in any commercial activity. This process may be a break through or incremental, and it may occur systematically in a company or sporadically. Innovation may be achieved by introducing new or improved goods or services and/or implementing new or improved operational process and/or implementing new or improved organizational/managerial process in order to improve market share, competitiveness and quality while reducing costs. Innovation and Competitiveness have a dynamic mutual relationship. Innovation thrives in a competitiveness environment and in turn, plays a key role in the achievement of such an environment. Innovation generates economic values, new jobs

in the economy and culture of entrepreneurship. By virtue of its relationship with competitiveness, innovation has emerged as one of the important factor in promoting economic growth.

A survey of wide variety of firms carried out by the National Knowledge Commission to understand the nature of innovations, the difference between firms across sectors, and the role played by innovations in driving growth in emerging economy like India also confirms rising innovation activity and awareness in India and their growing importance in driving competitiveness and productivity gains in the increasingly competitive economic environment. At the same time, the survey results also indicate that there is a need to improve the skills of the workforce. The quality of education imparted in several colleges and universities in the countries remains less than adequate to meet the emerging demands for skilled professionals.

Despite the favorable features which have helped Indian industry to achieve a consistently high growth in the recent years, the uncertainties about productivity trends pose a major challenge in India. Latecomers to industrialization can achieve considerable local innovation and growth in productivity by adopting already available technology. As the level of technology improves, greater R&D investment has to be made, both to adapt available technology and to develop the new technology needed for innovation. Once the potential for low end technology is exhausted new investment has to be made or greater efforts would be required for achieving high end technological breakthrough. Indian Industry therefore has to become more conscious of the need for continuing the rate of innovation achievement. It will need greater attention to

enhancing the level of human capital through training and higher education, higher rates of capital investment, along with more research and development activities.

Policy reforms are needed to strengthen innovation and productivity outcomes. The challenges for emerging economies like India in the coming decade will be to look beyond development occurring solely in scientific R & D laboratories to building a holistic environment encompassing industry, education and the legal sectors to drive growth. The stress on providing an impetus to science and technology is also important keeping in mind the crucial role it plays in the progress of a nation. Our contribution in the world of innovation coupled with augmenting productivity both at micro as well as macro level to realize a global competitive edge will shape the future of our economy. **“Productivity and Innovation – Enablers for Emerging Economy”** has therefore, been chosen as theme for the ‘Productivity Week-2012’ (12th to 18th February 2012) focusing on productivity and innovation at a time when Indian economy is facing a series of new challenges in the current economic scenario.

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