

How can “innovation capitalism” drive India’s technological and economic development?

By Rajkamal Rao

Indians and Indian companies appear to be facing a crisis of confidence. Perhaps that is because 20 years after Indian technology companies first innovated to help create the global outsourcing industry by intelligently leveraging a labor arbitrage model, they have been laggards in innovation. They continue to depend upon labor arbitrage—or the depreciated rupee—for profits, content to follow the lead of the west in innovation, in the service of the west.

But Indian companies in the non-tech sector have been quietly – and wildly – innovating at home. They have implemented services with efficiencies and quality levels unheard of in the west, using simple yet ubiquitous technologies. These companies have probably never heard of Clayton Christensen, the Harvard Business School professor who coined the term “disruptive technologies” and predicted that such innovations “offered less of what customers in established markets wanted and so could rarely be initially employed there.”

It is a delight to see these Indian companies proving him wrong.

Take cable TV in the US. If you call the cable company for service, you will first have to navigate a long phone menu before you even get to speak to a live operator. (If you are calling outside normal business hours, you are sadly out of luck.) When you finally get to talk to someone, the best the representative can offer you is a technician visit five days hence with a stark choice: 8 a.m. to noon; or 1 p.m. to 5 p.m. Some things haven’t changed in nearly three decades.

A call to Tata Sky – a satellite TV company in India – can be made 24/7 and you will instantly connect to a live operator. If you request on-site service, you will get confirmation of your trouble ticket via SMS even before the call ends. And then the interaction chain begins. Another SMS informs you within five minutes that a Tata Sky technician is about to call you. In less than 30 minutes, if during normal business hours, a technician is on the phone with you to schedule an appointment. Yes, not at a time convenient to him, but convenient for you. As soon as you mutually agree to a time, a third SMS arrives confirming the appointment. My faulty DVR remote was replaced and a new one delivered at home in less than 90 minutes from my first call. American consumers would love this level of service.

Or consider health care, a subject that is getting wall-to-wall coverage because of the recent troubles of the US Affordable Care Act. No matter what your political point of view is, one thing about the US is clear: health care is exceedingly expensive.

Health care in India is about as laissez-faire as it can get, and is the opposite of the US model in the private market. Competition is vibrant and consumers are free to shop around. I wanted to get my annual physical done in Bangalore. There were various flavors of the so-called “executive package” offered by at least 15 hospitals, all offering same-day service. I shopped online and within minutes was confirmed for an appointment the next day.

The equipment used for tests was state of the art, from the US, Japan, Germany, or Switzerland. The nurses were excellently trained. The process was like an assembly line where I was shunted from one station to another to provide my samples or undergo a test. An usher squeezed me into another station if my next station had a longer than anticipated wait. The tests were all over in three hours and I returned the following day for a consultation with an experienced US-trained physician who went through my results. The format of the results was identical to what I used to get in the US, so I could even compare my latest reports with those from my previous annual check-up. On exit, I got a beautifully bound folder with all reports immaculately filed and a CD to boot. The total cost for the entire experience? US\$83.

Indian households rely heavily on gas for cooking, but gas is delivered to the home via cylinders and not reticulated as in the west. But ordering gas cylinder refills is a breeze. Once you register your mobile number, you send a SMS message to the gas company with the word “LPG.” You will instantly get confirmation of a booking reference number, and the order will be delivered in two to three days.

Or consider telecom product bundling. Airtel’s website allows customers one-stop access to all products – mobile, landline, internet, TV, satellite – from a portal that mimics Amazon.com in its ease of use. Paying bills takes fewer than three clicks per product.

Finally, take the massive reservation system of the government-run Indian Railways. Suppose you decide to cancel tickets that you previously booked online. Your bank account is automatically credited within two days, less, of course, a very nominal fee. This is not like dealing with US airlines, where you are hit with a US\$150 change fee and you never see your money again. At best, your payment can be exchanged for travel on a future date.

Indian companies have the potential to become world leaders in customer care in these non-sexy industries. The biggest challenges now are to build a brand identity around these successes and aggressively market them, first in the region and then globally. Imagine Indian professionals implementing these solutions in Uganda or Vietnam, or even Mississippi.

By doing all this right, Indians could become well known for solving everyday problems using, as Professor Christensen says, “technologically straightforward . . . off-the-shelf components put together in a product architecture that was often simpler than prior approaches.” A far cry from the next iOS, but clearly a lot more impactful.