

Innovating business models to boost India's economy

Many Indian companies need to transition from being founder-led to more effectively implementing professional processes, improving corporate-governance standards, and devising new business models.



Indian companies could help the country become the world's fifth largest economy by 2022 by creating more innovative business models and strengthening corporate-governance standards. In this video, Gautam Kumra, managing partner of McKinsey in India, discusses the need for Indian businesses to do these things and to be generally more professionalized. An edited version of his remarks follows. The conversation is part of our series on the future of Asia.

What are the top three most disruptive forces shaping India ten years out?

India is one of the top five economies in the world¹ that will add a trillion dollars to its economy over the next five years. By 2022 India should be one of the top five largest economies in the world, which is a substantial increase from rank number 12 in the year 2007. Underlining this strong economic growth in India are multiple trends.

First is consumerization. The number of consumer households in the country is expected to increase from 30 million households to 90 million households by 2025.

Another accompanying trend as a result of that is urbanization, some of the largest cities in India by the year 2030 will be as big if not larger than some of the mid-size countries in the Western world.

On top of that we have seen some three major discontinuities shaping the evolution of the country.

First, it's digitization. India with about half a billion internet users that is doubling by 2025 and about 350 million smartphone users again tripling by 2025—it's one of the fastest digitizing economies in the world.

¹ Based on GDP in 2017. In 2018 the country slipped to seventh place.

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Second is a rapid investment in infrastructure; as you all know this country needs substantial investments in rail, power, ports and so forth.

And finally, a major discontinuity going on in the renewable-energy space where the government has set the ambition to set up 100 gigawatts in [solar] energy.

How should CEOs be responding to these forces as they think about their business strategies for the next decade?

All of these discontinuities are causing companies to really question both their existing businesses and new business models. So I think CEOs in a market like India are confronted with three to four big things.

One, I think, is the perpetual question of building their organizations and leadership. It consists of a market where the ambition is high but talent is short.

Second, I think, is the professionalization of Indian businesses. A lot of them have been founder-led, and many of them are now in the second or third generation. They have to figure out a way to combine their entrepreneurship with the professional systems and processes needed to scale these organizations.

Third, I think, given the digitizing economy, they all have to question how to create more value out of the core business and how to build new businesses and new innovative business models to serve their clients.

I would say finally I think a more recent phenomenon really has been around strengthening corporate-governance standards. I think there's been a real push with shifting investor base and investor concerns with a need to strengthen governance.