

Business of intellect: Start-up led disruption is good. It'll be even better with transformative technology

November 12, 2021, 7:57 AM IST / TOI Edit in TOI Editorials, Edit Page, India, Times View, World, TOI

General Electric this week announced that it will split into three companies. It's a milestone in business history as GE's an iconic American conglomerate, tracing its roots to Thomas Edison's pioneering inventions in the late 19th century. It's not alone. Europe is in midst of similar changes, turning the spotlight on underlying shifts in the economic structure. Industrial-era conglomerates are giving way to internet-era conglomerates, most of whom are less than three decades old. But they have transformed economic and social activity.

Old conglomerates combined innovation and scale economies to transform the supply side. Internet-era platforms have transformed the demand side through their network effects. The underlying force driving these changes across eras is innovation, which neutralises advantages conferred by size and longevity. It's not just platforms where it's visible. A 12-year old EV maker, Rivian Automotive, debuted in the US stock markets this week, generating a value that exceeded iconic American auto firms. The bet once again is on a technology-led transformation driven by rank outsiders that will change fundamentals of an industry. India too is in the midst of a transformation. A clutch of new entrepreneurs have shaken the economy by leveraging the internet to disrupt many businesses.

Exciting and beneficial as this is, it's important to acknowledge some differences in the Indian disruption. It's based on stellar execution on a large scale rather than creating technology that disrupts. Consequently, some of India's industrial-era conglomerates are in dominant positions in new economic domains because of their execution abilities. A related aspect is that none of India's disruptors shake up global markets, even in a way that Chinese firms did in communications network infrastructure.

Why does it matter? Because the nature of India's disruption is a microcosm of a larger national imperative. The World Bank identified "grey matter" as a country's main durable resource. One way to understand it is that a country's competitive advantage increasingly depends on its knowledge-based economy, a catchall term for intellectual capital. Disruption based on new ideas and innovations generates durable prosperity. India should take pride in its unicorns but simultaneously raise the bar.