

July 5, 2007

Dear Mr. Prime Minister,

The National Knowledge Commission identified the role of innovation as one of the key factors in India's economic growth. Innovation is a process to achieve measurable value enhancement in any commercial activity, through introduction of new or improved goods, services, operational and organizational processes. It is a significant factor in facilitating competitiveness, improvement in market share and quality as well as reduction in costs.

NKC conducted a nationwide survey among large firms, as well as small and medium enterprises to explore the role being played by innovation in fuelling India's economic growth. The NKC Survey reveals that Innovation Intensity (i.e. the percentage of revenue derived from products/ services which are less than 3 years old) has increased for large firms as well as small and medium enterprises. The strategic prioritization of innovation as a factor critical to growth and competitiveness has also achieved significant prominence since the start of economic liberalization in India. The NKC Survey further highlights crucial parameters at the firm level that have enabled some firms to be more innovative than others, including the role of structural frameworks and processes. It is expected that dissemination of the survey results across India's industrial spectrum will highlight best practices in industry and thereby also generate catalytic impact on a wider scale.

However, it is pertinent to point out that the most critical external barrier for both large firms and small and medium enterprises is skill shortage arising out of lack of emphasis on industrial innovation, problem-solving, design, experimentation, etc in the education curricula. There is also need for more effective collaboration between industry, universities and R&D institutions. Systematic reform of the higher education system (including skill based marketable vocational education) in India is essential to develop the required intellectual capital as well as generate effective synergies among industry, government, the educational system, the R&D environment and the consumer. Innovation is a complex activity that requires widespread interaction across the entire economy, from the grassroots to the large firm level. We recommend a comprehensive campaign to address these issues and to spur efforts to make India a global leader in innovation.

Thank you and warm personal regards,

Sam Pitroda,  
Chairman,  
The National Knowledge Commission

Copy to: Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission  
Mr. Kamal Nath, Minister for Commerce and Industry  
Mr. Kapil Sibal, Minister for Science and Technology