

PREVIEW: INDIA CITY COMPETITIVENESS REPORT 2009



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INDIA

Home
About Us
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Contents of Report Preview

- **Introduction**
- **Urbanization and Metropolitan Growth**
- **Methodology**
- **Competitiveness Rankings**
- **Levels of Measurement**
- **A Note on Clusters**
- **The Way Forward: A Word to the Policy Makers**
- **Formulating the Right Corporate Strategy**
- **A Concluding Word**

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Introduction [Top](#)

Cities are economic microcosms. These fundamental units provide breeding ground for economic activities across industries and services for a blend of people from all walks of life. An inevitable competition ensues when the multitude of visible and latent agents of the numerous forces play interactively; thus exciting dimensions of successful and unsuccessful coping with such competition. Our states and nations are nothing but a summation of our cities; thus it is not inordinate to assert that the state of our cities reflects the state of our nations. As Dr. *Christian Ketels of Harvard Business School, in an exclusive piece for this report, points out that cities need to have a clear competitiveness agenda. And without cities that push for competitiveness, it is hard to see how a nation like India can make any sustained progress in its overall quest for higher competitiveness.*

The Indian City Competitiveness Report 2009 is an endeavour that evaluates the performance of cities on competitiveness. In conclusion it forcefully advocates for them appropriately traversing specific paths towards economic and business success. In the process, it delves into nuances of the city performance; and deciphers the strengths and weaknesses that pull or push a city in the intended or unintended directions. The report serves twofold groups i.e., the corporate and the government. We firmly believe that it will aid policy makers in improving city productivity and hence attracting more business and that it will be a boon to the corporate folks, providing them invaluable information as they decide the future course of action for their businesses' growth path.

Urbanization and Metropolitan Growth [Top](#)

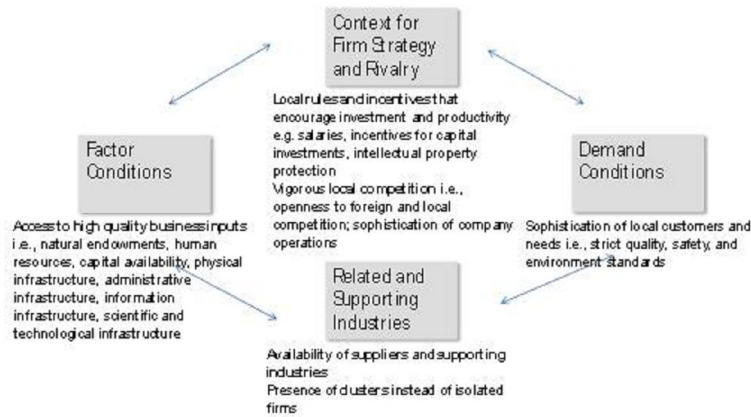
Though India is no stranger to urbanization, its boldfaced presence has been acutely felt in the past couple of decades or so. According to the 2001 census carried by government machinery, there are 35 cities with a million plus population in India. Further noted that, 11 cities were added to the list between 1981 and 1991, and 12 between 1991 and 2001. One could safely surmise that soon enough we will have 45-50 cities with a million plus in habitation. These cities have become epicentres of the Indian economic boom, have created clusters of urban agglomerations around them and have aided the growth of one or more satellite towns as well. Case in point is the rise of Gurgaon, NOIDA, around Delhi; and Mumbai having suburbs such as Thane. In fact, a detailed analysis of five large metros, namely Mumbai, Delhi, Chennai, Hyderabad, and Bengaluru reveals that peripheral growth plays a significant role in the growth of a city through urban sprawl. One can observe with interest that inevitably, these urban agglomerations become thriving full-fledged business centres.

However, sustainability of these business epicentres is a huge undertaking and responsibility. Historically, world over booming business has traditionally brought unmanaged population growth, bringing innumerable stresses on planning, resources and services. A concomitant boom is in vehicle numbers as well. Thus far, our cities have not been able to provide sustainable solution to any of these stresses. *Sanjeev Sanyal, Founder and President of Sustainable Planet Institute contends in this report that walking—the ultimate form of public transport needs to be infused into our city DNA. Going forward, building a public transportation grid conducive to walking is thus imperative.*

Furthermore, the need for sustainability and nurturing an environmental conscience is also highlighted by Raja Liberhan, in his article in this report. He puts forth the alarming yet hush-hushed nature of our anthropogenic use of natural resources and how it has led to a lopsided investment of time and money and consequential unsatisfactory outcomes. Again, a new paradigm in our city plans needs to be implemented. Issues across the spectrum—water pollution, energy, waste management etc—have to be studied in tandem if our cities are to survive and thrive in the future.

Methodology [Top](#)

Microeconomic Competitiveness: The Diamond
(Understanding Business Environment)



Source: Porter, 1985

We used Porter’s Diamond Model for our analysis; this Diamond Model is the benchmark model used by leading academic institutions around the world. Based on Professor Michael Porter’s seminal work on strategy and competitiveness and taking off on the model used by World Economic Forum for its Global Competitiveness, we evolved a robust model to measure competitiveness of Indian cities. After much debate and discourse, over 300 indicators were used to arrive at the final index for competitiveness, wherein extensive research was employed to collect the data. Unlike the World Economic Forum approach, we did not input any subjective opinions; only hard data has been processed.

The study uses hard data collected from reliable sources to eliminate the possibility of personal bias. To uphold reliability and validity, the data was collected from public organization and institutes engaged in collection of statistics, information, and summations, Gaps in data are natural, the breaks in data are however, filled with similar size or extrapolated data to prevent the any undue bias. Thus we evaded unfavourable or negatively correlated data being introduced in the processing. A myriad of parameters were developed into comprehensive indices. Care has been taken to prevent multi-collinearity with the use of Principal Component Analysis to define the weights placed on each indicator and sub index.

Competitiveness is measurable when various microeconomic factors are suitably aggregated to give the final measure. Here, the measure for competitiveness is founded on four pillars of dimensions that assess the competitive potential of a city: factor conditions, demand conditions, supporting conditions, and strategic context. Each indicator is grouped into these four pillars and further into the sub-pillars to obtain a composite index for competitiveness through many sub-indices. Thereby, every indicator has been pivotal in determining the final index for competitiveness. However, every indicator does not play an equitable role in the productive potential of the city. Calibrated Weights have been assigned to each indicator through Principal Component Analysis; this eliminates overlapping correlation. Competitiveness hence becomes a balanced composite of various factors.

Competitiveness Rankings Top

City	Ranking	City	Ranking	City	Ranking	City	Ranking

Jamshedpur 37

The top ten, as you can see are the familiar cities—cities one would intuitively expect in the top ten. What is rather interesting is their relative places within the top ten and their performance in sub-categories. Mumbai emerges as the victor closely followed by Delhi, which is followed by Bengaluru, Chennai and Kolkata. Chennai, which is the only city to make it into top 10 in every category, proves to be the jack of all trades in the group. For comparison’s sake, according to the final scores, we can divide the cities into 4 ‘tiers’. The first group of cities at the top that are very closely competitive include Mumbai, Delhi, Bengaluru, and Chennai. Next we have Kolkata, Hyderabad, Ahmedabad, and Pune neck-to-neck with each other. The third tier is a larger group of cities Jaipur, ranked 9th to Noida, ranked 19th. The fourth and final tier contains the remaining cities differentiated by whiskers of margins.

Levels of Measurement Top

The Competitiveness Index is derived from four pillar indices: Factor Conditions Index that has 6 sub-indices; Context for Strategy and Rivalry Index that has 2 sub-indices; Supporting and Related Industry Index that has 2 sub indices and Demand Conditions Index comprised in turn with 2 sub-indices.



The report spews a plethora of insights at sub-category levels. For instance, a look at ranking in the Institutional Support category, that falls under Supporting and Related Industry Index, offers some interesting insights. Numerous cities in the top 10 do not do well in this category: Mumbai ranks 34th, Kolkata 37th, and Surat, Chandigarh, and Gurgaon rank in the 30's as well. On the administrative side, not surprisingly, Patna features close to the bottom of our rankings; Ahmadabad actually come out on top in this category. Kolkata ranked number 5 overall ranks a dismal 37th in this category. Kolkata also features at the bottom of the charts for Institutional Support. The high competitiveness of Kolkata despite such low administrative and Institutional Support Systems is since its performance in other areas offsets. The top league of cities Mumbai, Delhi, Bangalore, and Chennai generally perform well. In fact, in certain areas, Mumbai and Delhi stand out as absolute outperformers—positive and far ahead—in relation to the rest of the cities; Mumbai does so for Communication and Supplier Sophistication whereas Delhi, driven by the sheer numerical presence of companies, does so for Regional Competition Intensity. Thus, it is really satisfying to see data churning excites tracks for discussion and shaping an evolved and textured understanding of where competitiveness of our cities stands today, and suggests focus areas for the reform initiatives.

A Note on Clusters Top

The development of clusters across the country is another highlight of the report. The competition for a larger piece of the economic pie has led to improvements in physical and financial infrastructure, human capital, consumer paying capacity, and in some cases better regulation and taxation as well. It is absolutely not a coincidence that these are the precise elements that increase the productivity of a region according to The Porter's Diamond. The model also professes clusters as a catalyst for economic boom; this is validated resoundingly by our results.

Clusters can expand opportunities for the locals and create a synergistic environment for businesses to prosper. Consider this: the NCR tri-cities (i.e. National Capital Region cities: Delhi, Gurgaon and NOIDA), Mumbai, Chennai, Ahmadabad, and Surat all perform well in our model. A closer look reveals the presence of clusters in each of these regions. The leather cluster in Chennai, the diamond cluster in Surat, the petroleum cluster in Mumbai, the cotton yarn in Ahmadabad and the colossal presence of MNCs in the NCR region indicate the catalytic effect of clusters. *Dr Amit Kapoor, Professor at Management Development Institute and Chairman of Institute for Competitiveness, India says that "The Indian geography is waiting to be mapped and the Indian cities waiting to be branded. A cluster approach—based on the economic concept of specialization—could do wonders in this situation. Once, a region becomes known for a reason, its prosperity grows exponentially due to economies of scale. A cluster based regime would open doors for competitive advantage and unlock umpteen avenues for states to head towards prosperity and opulence".*

The Way Forward: A Word to the Policy Makers Top

The first and foremost imperative for the policy makers is to take a holistic approach towards productivity, which is the key definer of competitiveness. The decision makers need to work on developing all round competitiveness by improving on factors across the board, creating the correct mix of conditions that can aptly support the target future industries or the ones already present in the region. In addition to the generic holistic improvement, we want to highlight certain specifics that we think are going to be crucial factors for a city's productivity in the future.

Environmental and transportation sustainability is a key area where most cities in India need to improve upon. As cities grow, the already congestion and pollution marred Indian cities will struggle to remain attractive for businesses. Sustainable public transportation systems will be the key in the future. *In fact, Susan Zielinski, Managing Director of SMART (Sustainable Mobility and Accessibility Research and Transformation) at University of Michigan, asserts that the problem of traffic congestion in larger cities is not small at all, and the subsequent consequences cannot be ignored.*

Building upon the clusters argument, we believe the city developers need to give a serious thought to either branding

the city, developing a cluster around it or enhance the existing clusters. Since clusters play such a vital role in the productivity of a region, careful policies need to be implemented to more efficiently organize and deliver services, enhance networking, improve the support systems for clusters, i.e. human capital, institutional and supplier efficiency. This also facilitates the branding of our cities. As *Madhav Raman and Anupam Yog of Anagram Architects and Mirabilis Advisory point out, a single exhaustive definition (still) eludes a city's "urban experience"*.

The policy makers also need to think about continually 'upgrading the diamond'. City governance needs facelifts in most of our cities. We need to create efficient and less bureaucratic procedures to attract the businesses. Investment in communication and transportation infrastructure should obviously be high on the priority list. Lastly, improving the conditions of the urban poor should be on the agenda as well. Most often, the latter condition is left to resolve itself. But it is one of the four pillars of the diamond model—the demand conditions—and the productivity of a region cannot be increased with three strong and a fourth weak pillar.

We hope that the policy makers will be able to come up with a priority list of things needing their attention upon a careful perusal of our comprehensive analysis, and act accordingly. As *Sandeep Mann, in his contribution in this report, elucidates the compelling urgency all cities should sense and act upon, towards projecting themselves as Branded Destinations for Foreign Direct Investment. Intense soul-searching and mapping of competitive positioning alone shall enable every city to carve out its unique appeal as an investment destination, rather than a faceless generic monolithic we-are-open-to-all-kinds of investments pitch. Aping the leading cities by the laggards shall be surely a futile and counter-productive exercise.*

On Governance, by Gordon Feller

Cities with good governance have a greater potential to create and support good living conditions. These cities have a better chance to offer their inhabitants a more equitable share in economic growth, access to infrastructure and services, and participation in political decision making. Accompanying these opportunities, however, are growing demands on the capacities of municipal institutions. As national-level public funding dwindles for cities, public resources must be stretched to meet the needs of the growing numbers of urban dwellers. This is one of the central challenges of our times.

Formulating the Right Corporate Strategy Top

Whether one is looking to start a business in India or to expand an existing one in India, the detailed analysis in this report indicates cogently where one ought to go. The beauty of the time-tested diamond model is its comprehensive exhaustiveness. Each pillar carefully covers all the different facets of productivity. No matter what a firm's evolution timeline is, the report provides pointers for firms in the process of expansion or in a nascent stage. The location decision can be made depending on the productivity potential and the microeconomic conditions a city has. The cities can be gauged for their potential for each industry and corporations can derive their strategies accordingly. Illustratively, good infrastructure and supporting conditions point to a high probability of success for a products/manufacturing oriented firm, whereas the quality of institutional support, business incentives, and competition intensity in a region could be of interest to a fledgling business. The facts and analyses included can be applied to all firms irrespective of their industry and future course of action. We hope that the report will be of use to board level strategists and consultants to successfully extract and cross-map the information they need, and come up with winning decisions for their firms.

A Concluding Word Top

As a concluding word on competitiveness, let it be said that the more conducive the environment for businesses, the more the competitiveness. The productivity of the city or location would be no doubt benefited by the investments, exports and technological and innovation imports. Further, a healthy and open competition among the cities is beneficial for competitiveness and prosperity to grow. A process of discovery should be initiated by each city, wherein in line with Professor Porter's thesis, sustainable competitive advantages based on factor conditions are created, not inherited. The India City Competitiveness Report 2009 captures the essence of productivity by studying indicators that are directly related to the development of the regions or the cities. For the corporate looking at a city for investments, market entry et al would focus on different pillars of competitiveness to determine its entry into the city and certainly strategise for success.
