

Executive Summary

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During the dot-com boom years, information and communication technologies (ICT) attracted a great deal of hype. Corporate executives, consultants, and academics believed that the primary reason for acquiring ICT was to achieve rapid, exponential growth and to penetrate new markets with radical new business models. Companies sought to replicate the “Amazon.com” model, and expectations from technology were unrealistically high. In the midst of this technology frenzy, governments raced to declare their e-visions and e-strategies; several projects and initiatives had as their intent the closing of the “digital divide,” because ICT was seen as a critical enabler for the development of emerging economies.

The bursting of the technology bubble and the dot-com crash of the year 2000 was a brutal shock to many technology companies. The ensuing market turmoil and investor disenchantment led to widespread consolidation in many technology sectors. Corporate ICT budgets tightened, and spending on ICT-related projects slowed down. These changes in activity led to a paradigm shift and a realistic moderation of expectations; the focus of ICT projects shifted from achieving fast growth to enhancing productivity and e-enabling core business processes. Corporations began concentrating on the visible impact of and measurable return on their investments in ICT. Government ICT projects were similarly scrutinized for value and effectiveness.

The year 2003 has seen a reversal of the negative sentiments in the financial markets. Despite a turbulent geopolitical environment, markets have started a new and positive cycle. Initial signs of a global recovery are visible, and the ICT sector has benefited from this renewed positive sentiment. Investments in ICT are growing, albeit slowly. Technology stocks have benefited from renewed investment and have partly recovered, although most stocks are still quoted at a fraction of their peak values. After having made progress in e-enabling their core business processes, corporations are once again looking to exploit the transformational potential of ICT. Governments have also benefited from their own ICT investments—the use of ICT has spread rapidly amongst large segments of the world’s population and the implementation of e-government projects has improved the effectiveness of many administrative processes.

It is in this setting and with an optimistic note that we publish the Global Information Technology Report 2003–2004. The third in the series of reports, this Report continues to provide a comprehensive assessment of the networked readiness of economies globally. Using the same framework as that used in last year’s research, the current Report and research covers 102 of the world’s leading economies. Networked readiness is examined by studying the environment for ICT in these economies—market, as well as political, regulatory, and infrastructure factors—and by analyzing the readiness and

usage of ICT from the perspective of three key stakeholders: individuals, businesses, and governments.

This Report is divided into three main sections: essays, country profiles, and data tables. The essay section draws upon the expertise of scholars, practitioners, policymakers, and business leaders. The country profiles section provides a detailed, relative snapshot of each economy's networked readiness. Data tables that contain rankings of economies for every variable discussed are presented at the final section of the Report.

The first chapter, "The Networked Readiness Index 2003–2004," by Soumitra Dutta and Amit Jain, presents the overall results of the research including the relative levels of networked readiness of different economies. After analyzing the performance of key economies in terms of the "Environment" for ICT, the "Readiness" of key stakeholders to benefit from ICT, and finally the level of "Usage" of ICT, the authors investigate the relation of networked readiness to levels of competition in industry and to GDP. The chapter also takes a look at the digital divide through the lens of networked readiness, and concludes that there is evidence to support the digital convergence of nations.

In her chapter, "Global Diffusion of ICT: A Progress Report," Fiona Paua of the World Economic Forum discusses the current state of diffusion of ICT across the world. Drawing on analysis of empirical data, Paua identifies current trends such as the rapid growth in ICT diffusion occurring in developing countries and the fact that the highest penetration rates are still in developed countries. She reveals that the leading markets for ICT today are a mix of developed and developing countries, and that there is vast market potential for ICT in the more populous developing countries. Aside from global trends, the analysis presents regional profiles that capture those countries that are significantly improving ICT access and those countries that are lagging behind. As the world gears up for economic recovery and the technology sector stands poised for a rebound, the chapter offers policymakers and regulators four policy imperatives and four market implications drawn from the analysis.

Bruno Lanvin and Christine Zhen-Wei Qiang of infoDev (The World Bank) present in their chapter, "Poverty 'e-Readication' Using ICT to Meet MDG: Direct and Indirect Roles of e-Maturity," the role of ICT in poverty eradication. Beginning with a discussion of the Millennium Development Goals of the United Nations General Assembly, they attempt to trace the trajectory of development and value-added resulting from the deployment of ICT. They argue that improving e-readiness gives rise successively to competitiveness, value/wealth creation, employment/empowerment and, finally, the achievement of the goal of poverty eradication.

Four McKinsey consultants, Scott Beardsley, Ingo Beyer von Morgenstern, Luis Enriquez, and Walter Verbeke, present the chapter that follows, entitled, "Towards a New Regulatory Compact." This chapter describes four key trends in telecommunications that inevitably will have a tremendous impact on the future of the industry and its key stakeholders. They also point out the four regulatory issues that stakeholders such as operators, regulators, and policymakers need to consider in order to successfully manage industry trends and be better prepared for changes in the industry.

The final chapter, "Little Finland's Transformation to a Wireless Giant," by Petri Rouvinen and Pekka Ylä-Anttila, traces Finland's transformation from being one of the least ICT-specialized countries to being one of the most specialized ones. The authors point out that in pre-Nokia Finland, the dominant industries in the country were forestry and timber. They show how Finland, a country with a low technology base and small population, succeeded in transitioning into an information economy and becoming the current dominant player in the global mobile communications industry.

The second section of the Report contains the country profiles for each of the 102 economies assessed. This is followed by the third and final section, a presentation of the data tables and statistical methodology used to compute the Networked Readiness Index. These last two sections of the Report allow the reader to gain a deeper understanding of the networked readiness of a particular economy.

ICT leaders can use the essays and the two data-oriented sections as a guide for designing and structuring policy measures for the key ICT stakeholders—individuals, businesses, and governments—in order to capture the benefits of ICT. Moreover, given that this year's Report contains the third computation of the Networked Readiness Index rankings, we have the beginnings of valuable time-series data. This can help policymakers compute their current networked readiness trajectory and take measures to ensure that progress continues in the desired direction.

It is important to note that while ICT is an essential enabler of business growth and economic development, it also holds the potential for disruptive change. There are many examples of disruptive change, such as that which occurred in Finland, Singapore, Korea, and India, to name a few countries. These countries all succeeded in jump-starting development, productivity, and growth by leveraging the transformative potential of ICT. Our hope is that this Report will help readers to leverage ICT effectively for their chosen trajectories of progress.