
Wired in: who leads the networking world?



By Shellie Karabell

The answer is: look north - to Scandinavia. All four of those countries are in the top ten of The Networked Readiness Index 2009-2010, part of the Global Information Technology Report published by INSEAD and the World Economic Forum, now in its ninth edition.

More specifically, Sweden is in the number one slot of 133 countries, virtually the entire world, from the US to China to Argentina to Chad. Singapore is number two, Denmark number three (bumped down from the number one spot it held last year), Switzerland number four and the US number five.

In fact, Scandinavian countries have led the pack since the index's inception. Why? "Scandinavian countries in general do very well in these kinds of metrics and analysis, not just in technology," says one of the index's creators and co-author of the report, INSEAD Professor of Information Systems Soumitra Dutta, who is also the Roland Berger Chaired Professor in Business and Technology.

“And the reasons they do very well are linked to some good policies regarding the macroeconomic environment in general, good policies regarding investment in human capital and good business-friendly policies in general. Also I think there’s a love of technology, which has led to some very strong technology players emerging in these economies. The whole growth of Nokia, Ericsson, the whole creation of technology venture capital entrepreneurs in this whole region has created a sense of technology being a key enabler of the knowledge economy, an economy in which they see themselves as major players going forward.”

The Networked Readiness Index aims to create a realistic measure of how we live and conduct business in a world that is increasingly interconnected. “It’s a holistic measure of how ready an economy is to benefit from the increasing connectivity we see in the world,” says Dutta. “Essentially we look at three actors: individuals, businesses and governments. We use a variety of criteria related to the broader macroeconomic environment of a country, linked to the readiness of people, of human capital, schools, colleges, other institutions. How are they ready to use technology and what role is the government playing to drive the use of technology in the economy? ”

For example, the study looks at the number of schools with computers in the classroom, but that’s not all. “The fact that you have computers in schools – does that mean that students graduating are learning faster or learning better? You need a set of measures to calculate how technology is integrated into the curriculum,” says Dutta. “Fundamentally you need to be able to combine measures that integrate the actual presence of technology with the use of technology, with the impact of the use of technology. It’s very complex because technology is everywhere; it’s not just in one sector.”

By including issues such as human capital investments and the broader environment in which business uses technology, the index points out how these factors actually impact a country’s ability to compete in and contribute to our increasingly networked world. Russia, for example, ranks number 80 out of 133.

“I must say that Russia is stagnating,” Dutta opines. “Russia often does not fare very well in these environmental factors. So what you see is that even though they’ve got good people, they don’t have the right climate to encourage investments in knowledge-based companies, knowledge-based sectors. Russia as a whole is not necessarily doing as well as it could.”

The same cannot be said for the rest of the BRIC countries. “You see an interesting pattern in which the BRIC countries (Brazil, Russia, India and China) are moving up rapidly,” says Dutta. “You see this year India and China have jumped up phenomenally in the ranking (India ranks 43 this year, up from 54 last year, while China ranks 37 this year, up from 46 last year). This is not just a phenomenon of this year, but has been going on for the last several years.”

As people become increasingly computer savvy, they’re spending more and more time online. “In many advanced economies, a typical young child spends more than seven hours a day online,” says Dutta. “Fundamentally, they’re communicating, they’re doing their homework; they’re not just surfing the net.”

It’s a new form of entertainment, and new technology players are getting into the act and therefore figuring in the index. “What is ‘technology’ today?” Dutta asks. “It’s not just hardware and software companies; it’s also media companies producing movies and video games and other kinds of entertainment. So I think you’re seeing the impact of entertainment on technology: one at the individual level, at the kind of experience they individuals have and another at the more macro level - at the level of the industrial structure.”

Keeping up with the pace of change within the technology industry in order to create this index is yet another challenge for Dutta’s team. He says he keeps the overall holistic framework but changes some specific criteria, as driven by changes in both technology and in the use thereof.

“A good case in point today is broadband,” Dutta points out. “It’s become much more important recently as an indicator, whereas five years ago it wasn’t there. Fixed-line telephones were important five years ago, but today people are asking whether it’s still a relevant indicator of networking readiness. So it’s possible that fixed-line telephones will be dropped from the indicator list in the near future while the mobile broadband will become stronger.”

Though the next Global Information Technology Report isn’t due out for another year, Dutta’s work is never done. The next months will be used to disseminate the report, then the compilation process starts again, with INSEAD, the WEF, and leaders from the private and public sectors getting together to discuss the results and charting the next steps. “What we have

been pleased to observe is many governments in the world have based their national technology deployment policies on the results (of our report); entire national policies have been based on the framework of this research,” points out Dutta. “Many governments look at this as an individual assessment by external parties of the efforts and use of technology in their own economies.”

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