Role of Reverse Innovation in Business:
A Case of Few Companies

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Abstract

Multinationals innovated in rich countries and sold those products in poor countries. Reverse innovation is doing just the opposite. It is about innovating in poor countries and bringing those products to rich countries. This process has produced several benefits for both developing countries as well as developed countries in terms of variety of goods at cheaper prices, rise in employment opportunities, technology advancement etc. In this way Reverse Innovation has gradually revolutionised the production pattern, consumption trends across the world. India has also experienced the same benefits when its Indian MNEs adopted the Reverse Innovation strategies as per the requirement of the different developed countries. For instance Tata introduced the Tata Nano for the price conscious consumer in India in 2009 and now Tata plans to launch Tata Nano in Europe and U.S. subsequently. At this backdrop, the study aims to explore the gains of reverse innovation strategies in India. For this purpose, different case studies of few successful companies have been undertaken to explain the benefits reaped by these companies in terms of their increased revenues, share and positioning across the World. The data is exploratory in nature and collected from several secondary sources viz. journals, magazines and websites. The study will enable us to understand the role of reverse innovation in this competitive business environment.

Keywords: Reverse Innovation, MNEs.
1. Introduction
Innovation is a key phenomenon in business world which is supposed to be the righteous of developed countries because of their ability to undertake intensive research and development work. Cameras, phones, computers etc. all are originated in developed countries and later on flowed to developing countries as per their requirement and affordability. But, in present era, innovations are gradually taking place in emerging countries and then replicated in developed countries as per their demands. This is termed as reverse innovation. The concept is coined by Vijay Govindarajan, a world expert on strategy and innovation, Jeffrey Immelt in 2009. The major drivers of this reverse flow of innovations from developing countries to developed countries are fast pace of internationalization in the world economy, slowing down of rich countries and rising level of income and growth in emerging countries. Because of these factors foreign MNCs prefer to develop the products as per the huge demand of emerging economies and even undertaking the research and development activities in these countries. This enables them to take the advantage of low cost and huge pool of human and natural resources of these economies. Indian MNCs also, to take the advantage of internationalization making efforts to redesign the products according to the requirements and conditions of the developed economies.

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At this backdrop, the study aims to explore the gains of reverse innovation strategies in India. For this purpose, different case studies of few successful companies have been undertaken to explain the benefits reaped by these companies in terms of their increased revenues, share and positioning across the World.

2. Objective of the Study
The main objective of this paper is to assess the benefits of reverse innovation with the help of case studies such as Harman Enterprise, General Electronics and Tata Motors

3. Research Methodology
The study is exploratory in nature and secondary data is collected from several sources viz. magazines, journals and news paper articles.
4. Benefits of Reverse Innovation
1. Reverse Innovation would lead to further boom in industrialisation. As more and more Multinationals adopt and opt to produce and/or invent new products in India for local as well as western markets, the Indian economy would witness an increase in FDIs and also the Indigenous Multinationals would instinctively raise their investments to build advanced R&D facilities that would inspire cutting edge innovation and engineering. It also means the engineers would experience higher employment opportunities, and the consumer market would profit from better products developed to cater to their needs at reasonable prices.
2. Reverse Innovation would lead to the overall development of the entire ecosystem comprising of Tier I and II suppliers, technology vendors, educational institutions which support, fortify and facilitate this unparalleled growth through concurrent engineering, providing smart and agile engineering and production solutions to complex challenges, and development of resources.
3. Reverse innovation is bringing the countries and global markets closer by fading the global borders to make “one world, one market” phenomenon a more reality. Reverse innovation would provide further impetus to the globalisation while increasing the influence of cross economic dependency and making cross border production and marketing viability plausible and effective.
4. Better products for consumers and a variety of options to choose from at reasonable prices
5. Companies investing higher amounts in building the sustainable technological infrastructure that would facilitate advanced engineering. It would thus further stimulate industrialisation

The benefit of reverse innovations can be assessed with the help of few successful innovation in emerging economies and their adoption in developed countries at the later stage.

5. General Electronics (Portable Ultrasound Scanner)
In China, some patients are not treated in hospitals. Therefore, portable equipments were required to treat the patients. Recognising this need of Chinese market, in 2002, GE introduced its first portable ultrasound scanner which is the modified version of big, powerful and premium priced ultrasound scanners- designed for use in US hospitals. By 2008, the portable product was offered for a price of $15,000, which was 15% of the cost of the traditional ultrasound. As of now this portable machine has become the growth engine of GE’s ultrasound business in China. This innovation as per the requirement of China health industry is further adopted in US. They are employed, in US hospital environments where space is limited and patients are immobile, such as emergency rooms and operating rooms. As a result of these innovations, between 2002 and 2008, worldwide sales of this portable ultrasound
scanner is increased from $4 million to around $278 million - an average compound annual growth rate of 50-60 percent.

6. TATA (Tata Nano)
Tata Nano is another example of reverse innovation. With today’s technology at hand, Indian conglomerate Tata has announced the launch of the Tata Nano — a $2,500 vehicle. In doing so, Tata has unlocked a huge untapped market: cars for middle class Indians. But now, Tata is preparing to take the Nano to other emerging markets and more importantly, bring the car to Europe and the United States.

7. Conclusion
According to the leading business strategist, Vijay Govindarajan, reverse innovation represents one of the biggest opportunities for corporate growth in America over the next several decades. Reverse innovation will transform just about every industry, including energy, healthcare, transportation, housing and consumer products. Reverse innovation is about far more than reducing cost for the sake of poor consumers. “It is about pushing the performance paradigm and offering more for less,” Govindarajan explained. “As counterintuitive as it may seem, the quality demanded by poor people tends to be higher.

References