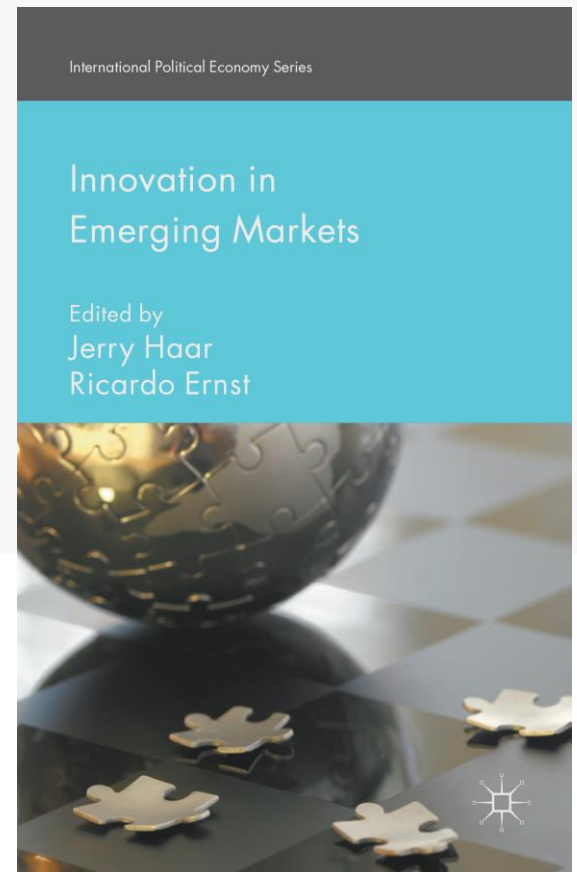


Innovation in Emerging Markets

Jerry Haar and Ricardo Ernst, eds.

New York and London: Palgrave Macmillan 2016



Quotes on Innovation

#innovation Lab

"If You Want Innovation, You Have to Invest in People."

Melvin Bellamy

For good ideas and true innovation, you need human interaction, conflict, argument, debate. ~Margaret Heffernan

YOU WILL NEVER INFLUENCE THE WORLD TRYING TO BE LIKE IT

12 Idea-Inspiring Quotes

CONCUR

The only way forward in life is innovation. And innovation, born from true creativity, depends on movement. Life, after all, is all about motion, whereas stasis is equivalent to death.

-Georges St-Pierre

It means a paradigm shift in the way we think of solving problems and even what we recognize as the problem.

- Marketing Professional

A culture of innovation can be a company's primary source of competitive advantage and can pay off steadily over the years.

- Stephen Spivey, HBS Professor

Inspirational "Quotes" on Innovation

(And no, not all are from Steve)

CREATIVITY + ACTION = INNOVATION

"Creativity is a function of leadership..."

QUOTES: CREATIVITY AND INNOVATION IN THE WORKPLACE

"INNOVATION IS THE SPECIFIC INSTRUMENT OF ENTREPRENEURSHIP, THE ACT THAT ENDOWS RESOURCES WITH A NEW CAPACITY TO CREATE WEALTH"

PETER DRUCKER

Because the people who are crazy enough to think they can change the world are the ones who do.

Steve Jobs

INNOVATION distinguishes a LEADER from a FOLLOWER

"Starting and growing a business is as much about the innovation, drive and determination of the people who do it as it is about the product they sell."

- Elon Musk

25 INNOVATION QUOTES

PART 1

"Innovation distinguishes between a leader and a follower"

- Steve Jobs

The best way to predict the future is to invent it.

7 QUOTES ABOUT INNOVATE!

INNOVATION distinguishes between a leader and a follower.

"ONCE YOU HAVE AN INNOVATION CULTURE, EVEN THOSE WHO ARE NOT SCIENTISTS OR ENGINEERS, POETS, ACTORS, JOURNALISTS - THEY RECOMMUNICATE, ENRICH THE MEANING OF WHAT IT IS TO BE SCIENTIFICALLY LITERATE. THEY EMBRACE THE CONCEPT OF AN INNOVATION CULTURE, THEY LIVE IT IN VARIOUS WAYS"

"FAILURE IS AN OPTION HERE. IF THINGS ARE NOT FAILING, YOU ARE NOT INNOVATING"

My innovation involved taking an idea from the telecommunications and banking industries, and applying it to...

The best way to predict the future is to invent it.

Julia Roberts

Microsoft is not about greed. It's about innovation

Innovation distinguishes between a leader and a follower. - Steve Jobs

build creative digital-age economies. Jobs stands as the ultimate icon of ingenuity, innovation, and sustained innovation. He knew that the best way to create value in the twenty-first century was to connect creativity with technology, so he built a company where leaps of the imagination were combined with remarkable feats of engineering. ~Walter Isaacson

Jobs are the number one economy in the world, and he ought to continue to pursue those kinds of policies that ensure that we maintain that position, like innovation and like technology and like education and like just research and development and discovery. ~Harald Evans

EVERYONE HAS CREATIVITY WITHIN THEM. IT'S JUST A MATTER OF UNLOCKING THAT CREATIVITY.

- Christina Centers

logic will get you from a to z; imagination will get you everywhere

Our industry does not respect tradition. It only respects innovation.

Paul Goyette

Innovation is only innovation if it makes a positive impact for our clients.

STARTUPVITAMINS

INNOVATION

INNOVATION distinguishes between a leader and a follower. Steve Jobs

When was the last time you did something for the first time?

Innovation is the only way to win.

Steve Jobs

INNOVATION IS THE ONLY SUSTAINABLE COMPETITIVE ADVANTAGE A COMPANY CAN HAVE.

David J. Foray, Harvard Business School

Vulnerability is the birthplace of innovation, creativity and change.

Brian Tracy

IF I HAD ASKED MY CUSTOMERS WHAT THEY WANTED, THEY WOULD HAVE SAID A FASTER HORSE.

Once you achieve intimacy and connection, I predict that innovation, partnership, execution and success won't be far behind. ~Susan Scott

Innovation Process Exits	
Doesn't Work	3 Miles
Doesn't Work	11 Miles
Doesn't Work	17 Miles
Innovation Success	Up the Road

"Nothing is more dangerous than an idea when it is first and only yours." ~Frank Lloyd Wright

INNOVATION Sometimes it's gonna hurt.

Innovation distinguishes between a leader and a follower. Steve Jobs

INNOVATION DISTINGUISHES BETWEEN A LEADER AND A FOLLOWER.

Steve Jobs

The paradox of innovation is that it is accepted as an innovation when it has become imitation.

Henry Mintzberg

If we don't change, we don't grow. If we don't grow, we aren't really living.

Paul P. Hays

Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth. ~ Peter Drucker

Innovation is the central issue in economic prosperity. ~ Michael Porter

All foreign companies registered in China are Chinese enterprises; their innovation, production and business operations in China enjoy the same treatment as Chinese enterprises. ~Hu Jintao

Sometimes you innovate, you make mistakes. It is best to admit them quickly, and get on with improving your other innovations.

Steve Jobs

"Creativity is thinking up new things. Innovation is doing new things"

Theodore Levitt

SHOOT FOR THE MOON. EVEN IF YOU MISS, YOU'LL LAND AMONG THE STARS.

Brian Littrell

Overregulation stifles creativity. It smothers innovation. It gives dinosaurs veto over the future. It wastes the extraordinary opportunity for a democratic creativity that digital technology enables. ~Lawrence Lessig

5 Quotes on Innovation

"Invention is a process; you don't get there overnight."

Louis Fortmann

Creativity is contagious, pass it on!

Albert Einstein

QUOTES FOR LEADING THOUGHTS

Image of a man speaking into a microphone.

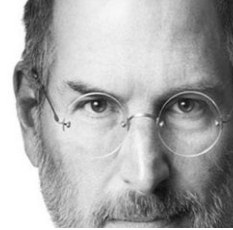
Quotes on Innovation

"INNOVATION IS THE CENTRAL ISSUE IN ECONOMIC PROSPERITY."

MICHAEL PORTER

Innovation
distinguishes between
a leader and a follower.

- Steve Jobs



"IF YOU LOOK AT HISTORY, INNOVATION DOESN'T COME JUST FROM GIVING PEOPLE INCENTIVES; IT COMES FROM CREATING ENVIRONMENTS WHERE THEIR IDEAS CAN CONNECT."

STEVEN JOHNSON

" We define **INNOVATION** as
PROFITABLE CREATIVITY "

**Innovation is
change that
unlocks new
value.**

- Jamie Notter

"INNOVATION IS TAKING TWO THINGS THAT ALREADY EXIST AND PUTTING THEM TOGETHER IN A NEW WAY."

TOM FRESTON

**NEVER BEFORE IN HISTORY
HAS INNOVATION OFFERED PROMISE
OF SO MUCH TO SO MANY
IN SO SHORT A TIME**
- BILL GATES



'INNOVATION IS THE PROCESS OF TURNING IDEAS INTO MANUFACTURABLE AND MARKETABLE FORM.'

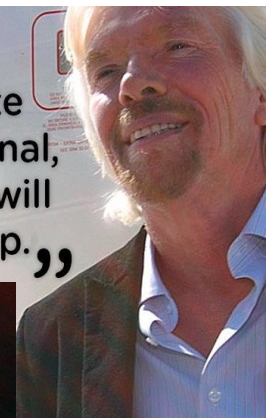
- WATTS HUMPREY

**Creativity is thinking up new things.
Innovation is about doing new things.**

Theodore Levitt

" There is no substitute for innovation. Original, revolutionary ideas will always rise to the top. **"**

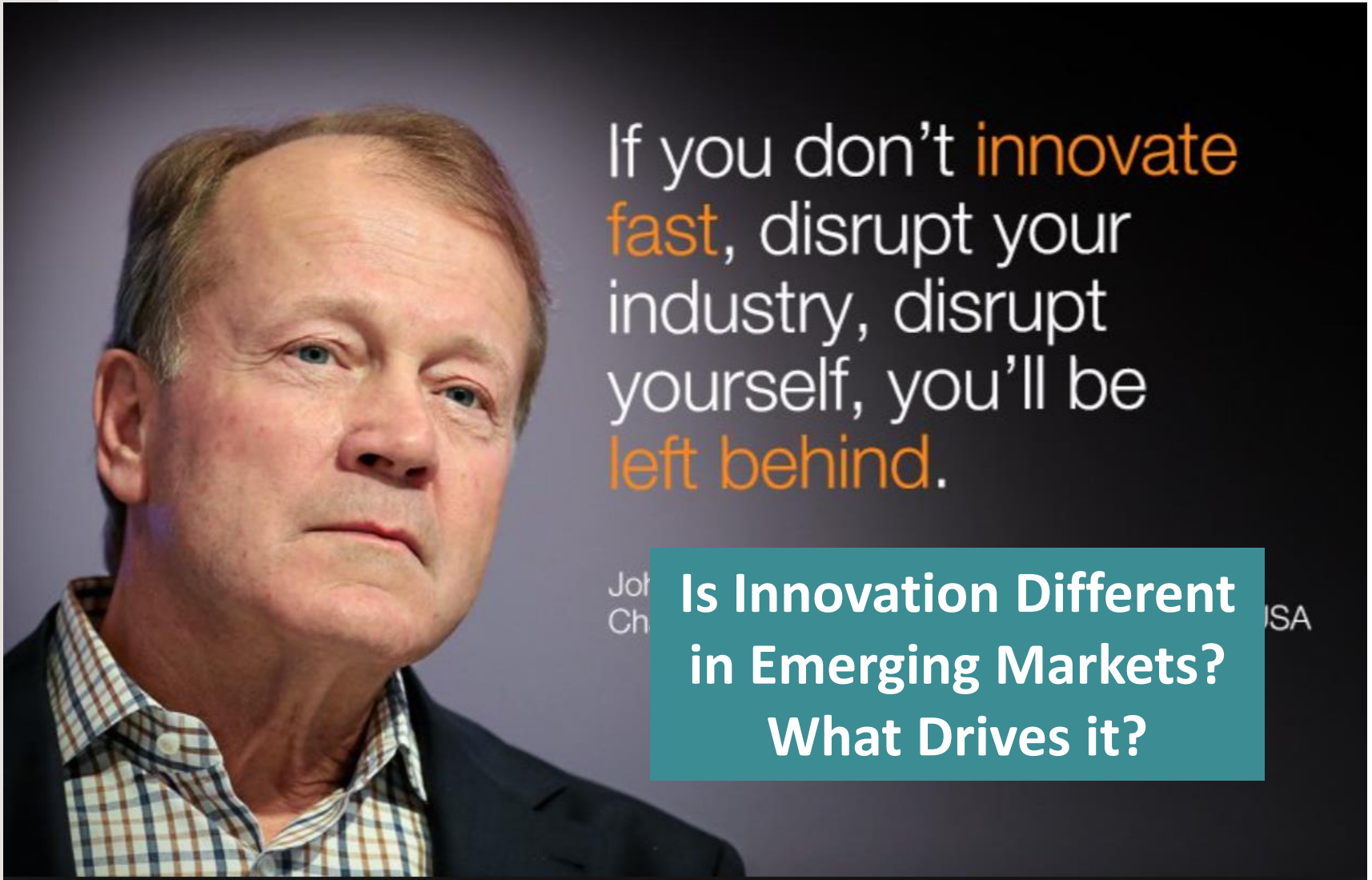
Phil Baron



- The **act of innovating**; introduction of new things or methods.
- The process of translating an invention into a good or service with value or for which customers will pay.
- To be called an **innovation**, it must be replicable at an economical cost and must satisfy a specific need.



Traditional Developed World View of Innovation



If you don't **innovate fast**, disrupt your industry, disrupt yourself, you'll be **left behind**.

Jof
Ch

**Is Innovation Different
in Emerging Markets?
What Drives it?**

ISA

General Motivation → WHAT?

Whether a consumer product (iPhone) or service (Uber), a firm (3M, Embraer), sector (biopharmaceutical), industry (mobile payments), or country (Taiwan, Israel),

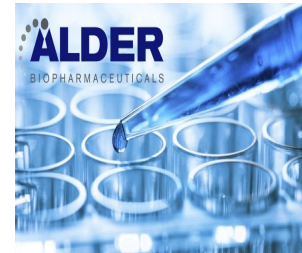


innovation is a driving, catalytic force in both domestic and global commerce today. It includes products, processes, services, and business models.

Consumer products



Sectors



Services



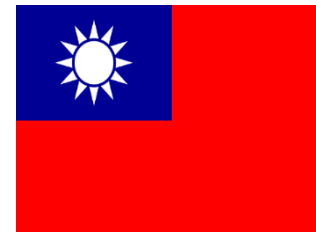
Industries



Companies



Nations



Traditional Myths on Innovation

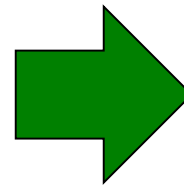
- Innovation comes mainly from the **developed world**
- Only **Big Companies** have enough funding to invest in Innovation
- Innovation is **difficult to copy and imitate** until fully developed
- We will create more here **NIH syndrome**

Is Innovation Different
in Different Places?
What Drives it?



Our Motivation → WHAT?

The **aim of the book** is to advance the knowledge and understanding of innovation in **emerging markets** as an important force in the global economy.



Examples: wind-up radios in Africa; microcredit lending in South Asia and Latin America; the Jaipur foot, an artificial limb designed in India, making use of low tech materials.

General Motivation → WHY?

Research confirms that innovative enterprises generally achieve **stronger growth** or are **more successful** than those that do not innovate.



BUT:
**Is Innovation Different
in Different Places?
What Drives it?**

Positive

Negative
Correlation



There is a **strong correlation** between market performance and new products; and while new products can capture and boost market share and profitability, non-price factors such as **design** and **quality** can increase competitive sales growth. Not just products but processes as well, along with positioning.

Why Innovation?

- Strong Innovators **grew 13% more quickly** and were **3% more profitable** than their competitors!
- **First**, innovation is **key to sustainability and progress**.
- **Second**, this impact is magnified because innovation is occurring **in every region around the world**, at every link in the economic value chain, and at every organizational level.
- Additionally, innovation has become a **priority for all businesses at each point in their value proposition** and functional structure, driving innovation in every domain from product creation to packaging and delivery.
- Finally, innovation provides the **opportunity for market disruption and leapfrogging progress**, which could help frontier markets “equalize” or even pass developed markets on a number of fronts.

What's your
why?

According to PwC

The most innovative companies overall are growing significantly faster than the least innovative



*20% most
innovative companies
(11.3% year-on-year)*



*20% least
innovative companies
(3.2% year-on-year)*

Types of Innovation

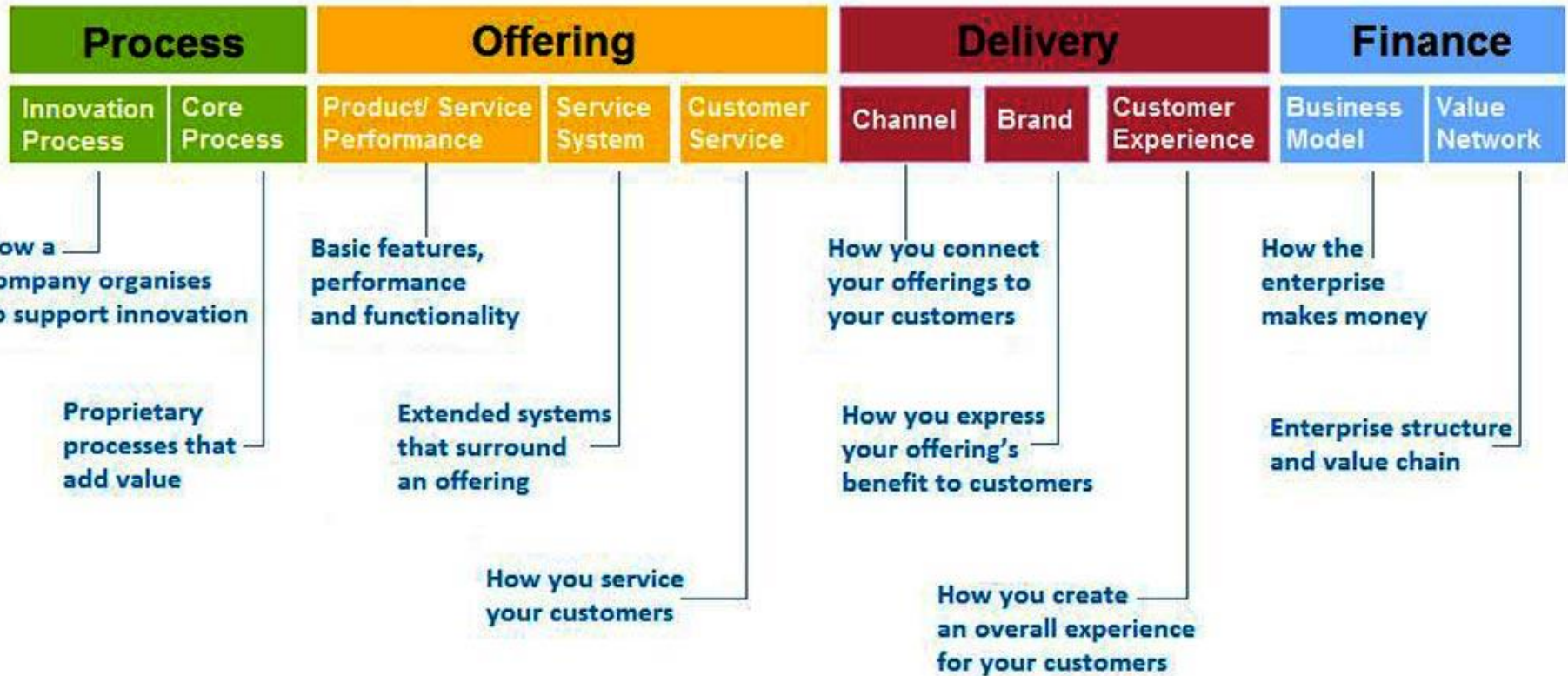
- ✓ **Product innovation**
- ✓ **Process innovation**
- ✓ **Service innovation**
- ✓ **Business model innovation**




Forms of innovation

Inside-out

Outside-in





Ten Types of Innovation: The Discipline of Building Breakthroughs
 by Larry Keeley, Helen Walters , Ryan Pikkell , Brian Quinn

1. Business model 
how the enterprise makes money

2. Networking
enterprise's structure/
value chain



5. Product performance 
basic features, performance and functionality


6. Product system 
extended system that surrounds an offering

7. Service 
how you service your customers



3. Enabling process
assembled capabilities


4. Core process
proprietary processes that add value


10. Customer experience
how you create an overall
experience for customers


BUT:
Is Innovation Different
in Different Places?
What Drives it?

Forms of Innovation

- **Packaging/Price Innovation** ... Small, inexpensive goods for poorest population segments (Hindustan Unilever)
- **Social Media Innovation** ... multimedia services (Tencent's "wechat")
- **Distribution Innovation** ... Office delivery of home cooked meals (dabbawalla, an indian company).
- **Advertising Innovation** ... Web-based TV shows to promote brands (clinique's "Sufei's Diary" in china).



Motivation → WHERE?

Focus on the **emerging markets** of Asia, Africa, Latin America, the Middle East and Central Europe



BUT:
Is Innovation Different
in Different Places?

YES!!

Critically important
as: releasing trapped value, catch up
innovation, reverse innovation, social
inclusion innovation, innovation in financial
and non-financial services, health care,
education, media and social enterprises.



NO ORDINARY DISRUPTION

DISRUPTION ONE: THE AGE OF URBANIZATION

COUNTRIES ARE BECOMING MUCH MORE URBANIZED

City populations are growing by **65 million** every year 



WITH EMERGING MARKETS TAKING THE LEAD

440 cities in emerging markets will account for nearly half of global GDP growth by 2025

2.5 billion people will live in Asian cities by 2025—that's half of all urbanites in the world



By 2025, **46 of the world's 200 top cities** will be in China



By 2025, the economy of **Tianjin** will be the same size as Sweden's

EMERGING ECONOMIES ARE BECOMING MAJOR FORCES

By 2025, emerging economies will grow **75%** faster than developed nations

Emerging economies are taking a larger share of the world economy



1/3
today



1/2
by 2025

GROWTH OF THE URBAN CONSUMER CLASS

150% increase in annual consumption in emerging markets, 2010 to 2030

\$12
trillion

2010

\$30
trillion

2030

620 million people exited poverty in the last 20 years

Define Emerging Market

- An **emerging market** economy (EME) is **defined** as an economy with **low to middle per capita income**. Such countries constitute approximately 80% of the global population, and represent about 20% of the world's economies.
- A nation's economy is progressing toward becoming more advanced ...
- An emerging market economy is a nation's economy that is progressing toward becoming more advanced, usually **by means of rapid growth and industrialization**. These countries experience an expanding role both in the world economy and on the political frontier.

Is Innovation Different
in Different Places?

YES!!

which a television
broadcast signal is received

def·i·ni·tion n. 1.
The teacher gave definitions
of the new words.

Why Emerging Markets?

- The rise of emerging markets is a **by-product of globalization**
- Globalization has two parts: (1) the **relocation of manufacturing or IT services** to lower-cost countries; and (2) the extent to which national companies **play their wares abroad**
- **It is a myth that the U.S. economy has always been globalized.** True, the diffusion of Boeing 747s, iPads, and McDonald's outlets (122 countries) make it appear that the U.S. is a globalizing force but this is an illusion.

WHY?

Why Emerging Markets?

2016: Global Growth Edges Up

Goldman Sachs global and regional GDP forecasts for 2016

% change YOY

World

Developed Markets

Emerging Markets

4.4 4.9

Is Innovation Different
in Different Places?
YES!!

% change YOY

USA

JAPAN

EURO AREA

RUSSIA

BRAZIL

2015

2016

2.4

2.2

0.6

1.0

1.5

1.7

1.5

1.7

1.2

1.4

0.8

1.6

3.1

2.5

2.5

2.7

6.9

6.4

7.4

7.8

-3.5

1.5

-3.2

-1.6

Source: Goldman Sachs Global Investment Research.

* Fiscal year basis, 2014 is India FY15 (Q2 2014 - Q1 2015).

THIS IS WHY.

Why Emerging Markets?

- According to the *IMF World Economic Outlook* the **top 20 fastest growing economies are outside the U.S.**
- The **emerging markets' share of GDP will rise to 55% by 2018.** The global middle class is valued at \$30 trillion
- U.S. firms **derive only 7%** of their overall revenues from emerging markets. U.S. consumer **staples companies** (e.g., Kraft, Hershey, P&G) secure less than 5% of their sales from emerging markets (the global average is 17%).

This is Why

Why “Innovation in Emerging Markets” ?

Trends



Emergence of an Innovation Ecosystem

- **Broad global trends** spurring innovation
- **Expanding Access to Finance** crowdfunding such as Kickstarter
- **Technology in Different Places?** ... firms like Kayak, Travelocity
- **Global Markets and Institutions** ... institutional changes and neoliberal policy reform (tariff reductions)

Is Innovation Different
in Different Places?
DEFINITELY!!



ecosystem

Why “Innovation in Emerging Markets” ?

- About **17% of Global innovation** is coming from Emerging Markets.



- We should see that percentage **go from 17% to 40%** in the next 10

Is Innovation Different
in Different Places?

- Includes hig

DEFINITELY!!

- Emerging economies **lead the way for sustainable innovation, frugal innovation, and reverse innovation**



The Framework Used in the Book



- The framework presented in the book covers different **emerging markets regions** (Asia, Africa, Middle East, LATAM, Central Europe). Chapters present

Is Innovation Different in
Different Places?

DEFINITELY!!

These are the Drivers!

1. in
 2. fa
ac
 3. fir
models.
- ell.
bs, science parks,
ations; and
sses, and business



The main objective of the book is to advance the **knowledge and understanding of innovation in emerging markets** as an important force in the global economy.

**Measuring innovation the conventional way---
where does Latin America stand?**

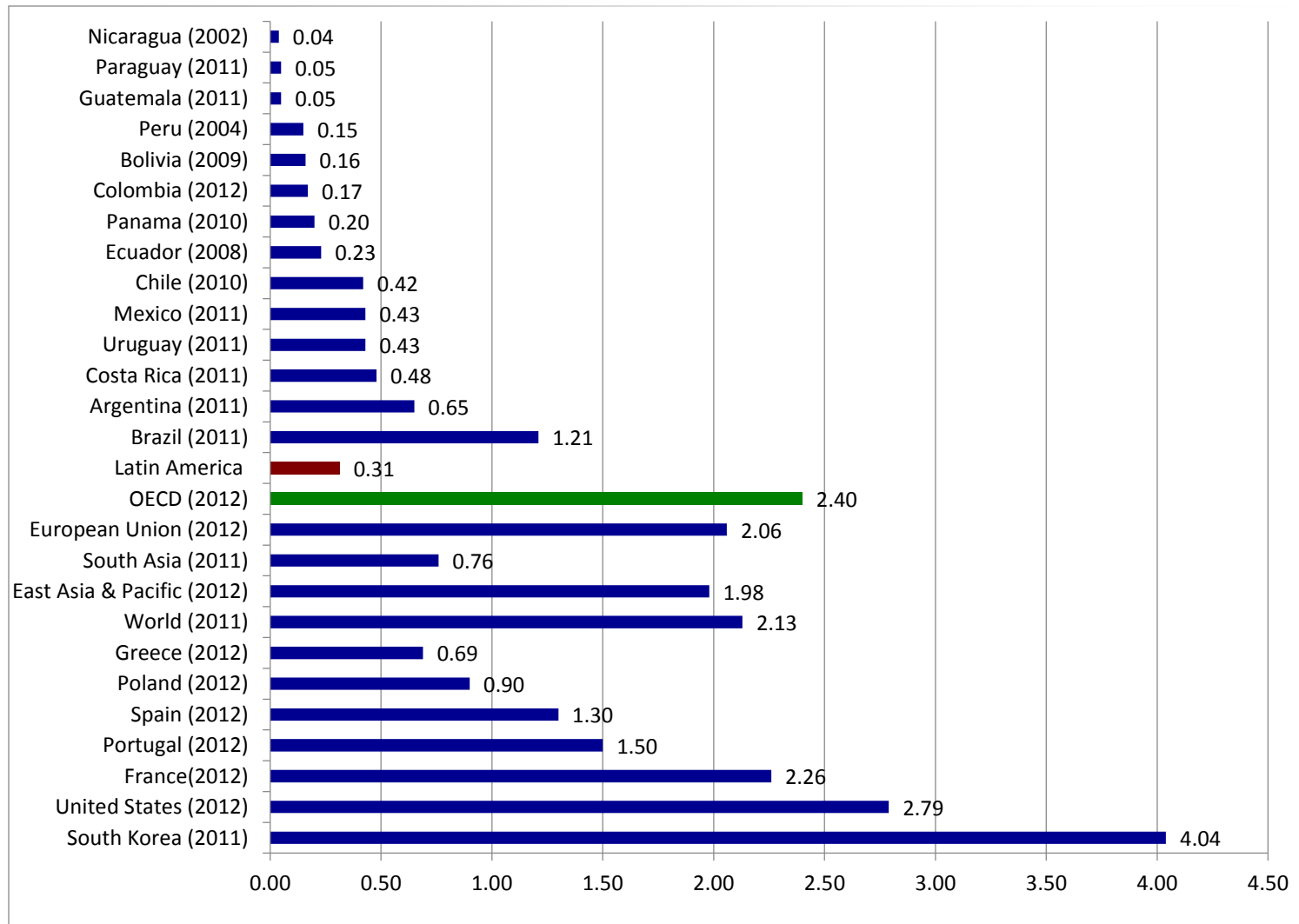
**There are many yardsticks by way of which we gauge the
measure of innovation-led development in an economy.**

- **Public and private R&D expenditure as a share of GDP is probably the most basic innovation indicator.**

So, let's have a look.....



R&D Expenditure as a Percentage of GDP



Source: The World Bank, World Development Indicators (2014)

Other Metrics

- **Number of patent applications.** The gap is even more glaring on this front.



- **High-technology exports** as a share of all exports is another traditional benchmark of innovation.



- **Quality of human capital** is yet another important indicator of innovation in a country.

- ✓ Assessment of the quality of education—vital to innovation. The OECD PISA study on education quality in 50 economies: Latin America falls well behind the OECD average.
- ✓ Latin America faces severe talent shortages, and the problem is getting worse through the years. Employers face difficulty in filling jobs.

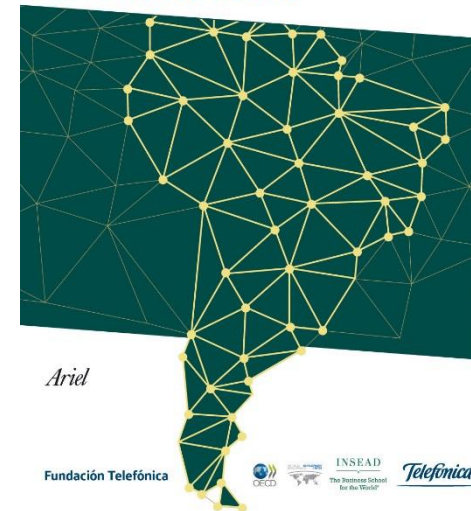


Innovation Ecosystem—Rapidly Developing

Landmark study:

InnovaLatino: Fostering Innovation in Latin America (2011), the result of a research project funded by Fundación Telefónica

InnovaLatino:
Impulsando la Innovación
en América Latina



Five Different Types of Innovators in Latin America

1. **Public institutions** are significant innovators

FINEP and INOVAR (Brazil), MINCyT (Argentina)

2. **Large firms** are the leading changemakers

Techint (Argentina), Embraer (Brazil), Cencosud (Chile) ,
Grupo Nutresa (Colombia), Alicorp (Peru)



Five Different Types of Innovators in Latin America (cont.)

- 3. Small and medium-sized firms** are innovating in greater numbers
- 4. Corporate social responsibility** is being widely recognized as a vitally important corporate value.
- 5. Social entrepreneurs** are actively engaging in “pro-society” business activities..

Four types of innovation



Product innovation



Process innovation



Marketing and Branding innovation



Business model innovation



Innovation through the Latin American

✓ *Latin American governments leading the innovation way*



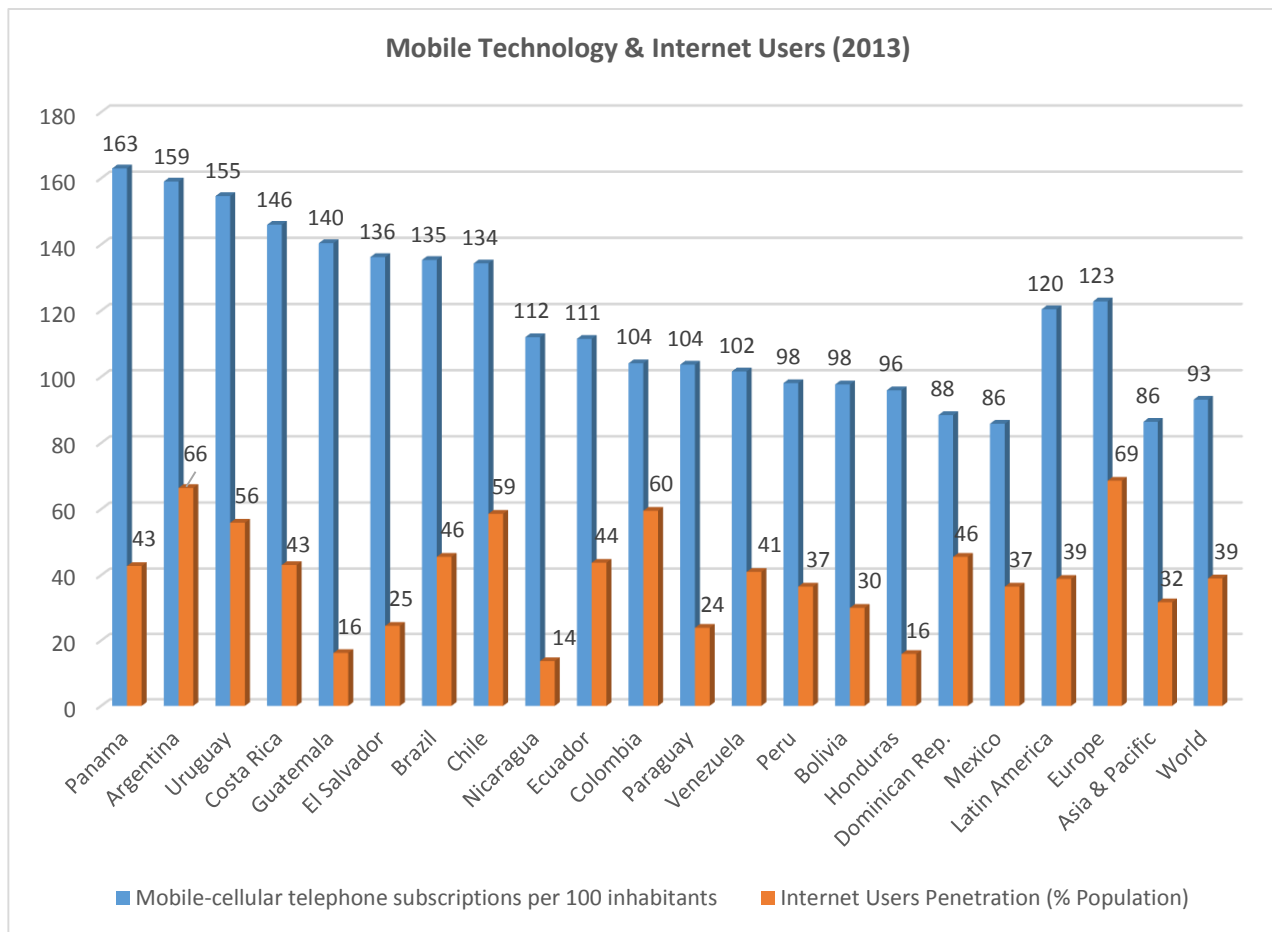
✓ *Charting the green revolution frontiers*



✓ *Technology innovation for a brighter future*



Mobile Technology and Internet Penetration



Source: ITU World Telecommunication (2014), ICT Indicators database; Internet World Stats (2014)

Fostering innovation via collaboration between universities/research institutions & the private sector



Takeaways



Recommendations:

A national vision and a drive for partnerships



Innovation fueled by natural resources



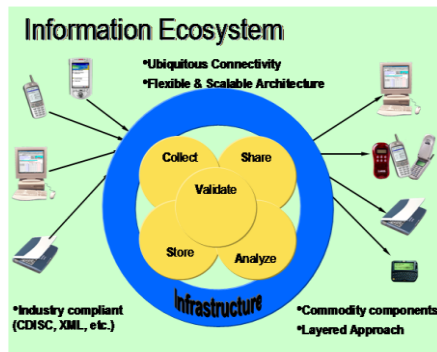
Human capital as the catalyst of innovation



Supporting micro and SMEs through cluster policies



Innovation information ecosystem beyond traditional measures



Innovation leading to social inclusion and sustainability





Despite scarce resources and low R&D, Latin America is making headway in innovation...

- Both business- and social-oriented
 - Large firms and small
 - Building public-private engagement
-
- **Goal:** improve the ecosystem to expand and sustain entrepreneurship and innovation.

