

SPOTLIGHT

on Inclusive Business

Innovation in inclusive business

Simple strategies to boost innovation in your company

Ask a child, “are you creative?” and you are likely to get resounding “yes!” We tend to think of innovation as something spontaneous and organic, and the older we get, the less we consider ourselves creative and innovative. Yet some of the most creative companies in the world take a highly systematic approach to innovation; allocating significant resources to it and implementing strategic research and development practices to drive creative thinking.

Innovation is not just a matter of inspiration or individual talent, though these are useful assets in a business! It is a strategic business objective that requires specific structures, processes and knowledge.

Drawing on examples from projects supported by Innovations Against Poverty, this Spotlight looks at how innovation can boost both social impacts and profits and sets out a systematic approach that companies can use to build innovation into their business model.



Vagga till Vagga stoves, Zambia

What is innovation?

‘Innovation’ is about bringing something new into the world. In a business and science context, innovation is defined as “creativity plus commercialisation,” or more precisely the “commercial application of knowledge or techniques in new ways or for new ends.” By offering a new solution to a problem, innovative products and services give the company a competitive advantage in the market place.

Innovation or invention?

A product can be innovative without being entirely new. Innovation builds on existing ideas to find creative solutions to existing problems. Indeed, even the most iconic inventions, like Edison’s light bulb or Gutenberg’s printing press, were created from technologies that had already been emerging in other parts of the world. So while an idea needs to have an element of uniqueness to be innovative, it does not need to ‘reinvent the wheel.’ It can combine existing building blocks in creative ways to deliver solutions which are new in the particular local market. In the context of inclusive business specifically, a product or service is understood to be innovative if it is unique and ‘new’ in the *local* market where the company operates.

Inclusive Business Spotlights shed light on specific topics concerned with the development of inclusive business. They are generated from IAP project and advisory work.

Types of innovation

Understanding the local market is essential for innovation. But a company that understands the different types of innovation will be better equipped to assess the creative potential of its ideas and develop them to commercial success. There are three broad categories of innovation (von Stamm 2003):

TRANSFORMATIONAL	RADICAL	INCREMENTAL
<p>New products, processes or services that have the potential to drive change on a global scale. Cars and mobile phones are examples of transformational product innovations, while internet communications, made possible by new networks and processes between computers, is an example of a transformational process. This is the least common type of innovation as it tends to be technically complex and requires significant research and capital investment.</p>	<p>Ideas that dramatically change or improve an existing product or service. Examples include the emergence of online retail outlets as an alternative to physical stores, or the development of sign language as a new means of communication. In order to succeed, radical innovations require a large enough group of users to adopt the product or service as a new way of doing things.</p>	<p>This type of innovation occurs when an existing product or service is modified or launched in a new market without being really new. When it first emerged, the Global Positioning System (GPS) was a transformational innovation restricted to military use. But since its wider applications have been recognised, we have seen a proliferation of incremental innovations incorporating GPS into consumer devices including mobile phones, cameras and car navigation systems.</p>

The above definitions are theoretical and apply to products and services globally. Drawing on examples from the IAP portfolio, the following table looks at what these types of innovation mean and what products and services they describe in the context of low income markets.

TYPE	IAP CONTEXT	IAP PROJECTS
Transformational	<p>The service or product is new in global markets and has the potential to change livelihoods and practices in developing countries.</p>	<p>Swedstream, Uganda is developing a low cost ultrasound system for maternity healthcare. This new product has the potential to transform pre-natal care and reduce global infant mortality rates.</p>
Radical	<p>A new solution or process that radically improves a situation for the low income buyer or user, or a new business model that makes an essential product affordable to the poor. A solution which is radical in a low income market may not be radical in other markets.</p>	<p>Nuru Energy, India has developed an affordable portable light and the first retail pedal generator. Greenway, Zambia has developed a thermoelectric generator converting heat into electricity. These innovations introduce new ways of generating household electricity or charging appliances in off-grid areas.</p>
Incremental	<p>Modification of an existing product or service that adapts it to low income markets, taking into account not only price but also cultural preferences, illiteracy, geographical environments, etc.</p>	<p>MAKIT, Kenya has developed a reusable silicone menstrual cup. HiNation, Zambia and Sunny People, Kenya have commercialised solar lighting solutions to increase electricity in rural households. These companies have adapting existing products to low income markets, and sell to multiple customer segments (eg. HiNation sells its solar lights to hikers as well as local communities in Zambia).</p>

Five steps to kick start innovation in your business

Innovation is about developing a sustainable process that can spark, test and launch new ideas. Innovation can happen in the product or service, the operations processes or the business model. Here's how you can start boosting your company's innovation potential:

“A perfectly acceptable way to innovate is to use existing ideas as building blocks and combine them together to create a new product or service.”

The iPhone

The iPhone interface consists of a menu of small icons, a structure developed by Sony Ericsson many years before Apple launched its handset. Similarly, the 'smart phone' interface that allows the user to add, move and change icons relies on a simple operating system that was first developed by Symbian (a joint venture between Nokia and Ericson) in the 1990s.

Yet the iPhone is probably the most unique, ubiquitous and iconic smartphone on the market. By combining existing technologies that were already available on the market into a user-friendly, well-designed product, Apple has achieved very high level of innovation in the smartphone market.

1. Prioritise problem-solving

Start simple and focus on tackling the limitations of your existing product or service. You can do this by collecting feedback and observing how your customers experience the product; how they interact with it and what they do once they have finished using it. This exercise will highlight areas where the product can be tweaked to improve the user experience.

If you are developing a new product or service, invest time in clearly articulating the problem you are trying to solve. Does your solution require a significant shift in user behavior? If so, it will need to offer bigger benefits than the product or service it is trying to replace, or people will not adopt what you are offering.

2. Stand on the shoulders of giants

A perfectly acceptable way to innovate is to use existing ideas as building blocks and combine them together to create a new product or service. By building on tried-and-tested technologies, you can reduce the cost of developing your product and make it more affordable to end-users. Electronics giant, Apple, has applied this method of innovation using software and components developed by other companies to create its best-selling products like the iPhone and the iPod.

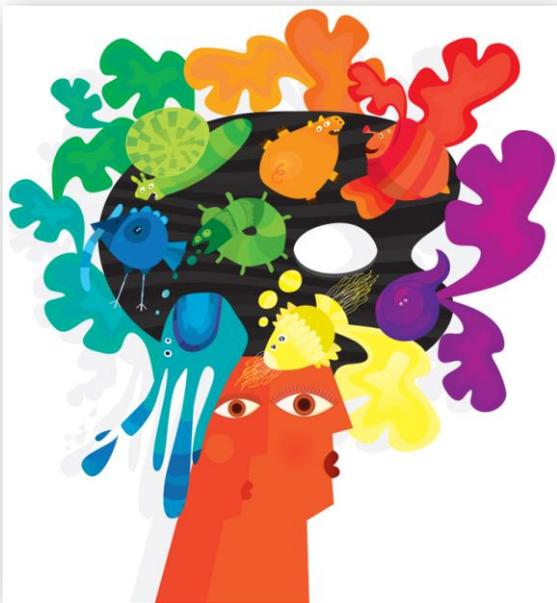
So instead of investing in developing something from scratch, search for different components that have proved to be effective, which can be incorporated into your product. Thanks to open innovation, a number of software and operating systems are now available at very low cost (such as the Linux operating system). A similar trend is emerging for hardware, with open source products such as the [Arduino board](#), a simple microcontroller designed to make the use of electronic technology more widely accessible. Think of these components as Lego pieces; cheap building blocks that support open up opportunities for you to build creatively.

3. Gather knowledge strategically

To develop an innovative product or service you will need to acquire knowledge on what similar products exist, which ones work, and most importantly, which ones don't. It might be tempting to ask Google for the answers, but you will get more valuable knowledge about user experience off-line.

Use the Internet to find communities of knowledge who possess the experience you lack (like product information, manufacturing processes and regulations). For technical knowledge, a good place to look are expert development communities and "creation nets" online. They often organise live meetings known as "hackathons" (software developer collaborations on software-related projects), or innovation competitions like Google's hackathon in Ghana earlier this year.

For fast, high quality feedback, tap into existing networks like LinkedIn or the Practitioner Hub and throw your questions out to a bigger audience. There is great value in the *wisdom of the crowd*. The collective opinion of many individuals who may not be experts often yields more accurate results than that of a single expert. By looking to multiple sources for the knowledge you need, your company can achieve 'open innovation,' pooling complementary skills, opening up new markets and effectively combining existing techniques for faster, more effective commercialisation of ideas.



Innovation is a creative process of collaboration

“Innovation that boosts quality or efficiency could happen in production, distribution, or the general structure of the business model.”

Conclusion

Innovation does not have to mean ‘invention’ or ‘genius’, it can simply mean connecting things in new ways or for new ends. When built into day-to-day company operations, the approach outlined above can encourage these new ideas and connections to emerge. In inclusive business especially, companies that see innovation strategically, and build company-wide approaches to creative thinking will be better able to fight poverty through new ideas.

About the author

Ruth Brannvall is Senior Advisor at Innovations Against Poverty. This document contains some of the key findings in the academic research report “Innovation in underserved markets” that Njord Consulting carried out in 2011. For information on the full version email the author at ruth.brannvall@njordconsulting.com

Useful links

- Creative Commons: www.creativecommons.org
- Ashoka ChangeMakers Initiative: <http://www.changemakers.com/innovations>
- DeveloperFusion: <http://www.developerfusion.com/t/open-source/>
- Google technology user groups <http://www.gtugs.org/>

Twitter: Open Innovation @OpenInno, Stanford Center for Social Innovation @SocInnovators, Rural Innovation @Ruralinnovation

[Innovating business planning know-how](#) on the Hub

For information about inclusive business projects supported by Innovations Against Poverty and useful resources on developing inclusive business visit the **Practitioner Hub for Inclusive Business**: : www.businessinnovationfacility.org
We welcome your feedback: innovationsagainstpoverty@se.pwc.com

4. Understand your business model

There’s more to a business model than ‘pricing minus costs’. Your business model is composed of a number of different elements from your customer segments, to your value proposition to your distribution channels, and innovation can happen in any of those areas.

Understanding how they all fit together can help you pinpoint exactly where you can develop or innovate. Innovation could happen in the end product, for example by offering new features in order to sustain sales or tap into new markets. But innovation that boosts quality or efficiency could be in production or distribution processes and how the overall business model is put together. For more detail read our blog on [Getting Your business model right](#).

5. Test drive your idea before it’s ready

A common mistake companies make is to develop their products too far before testing them with potential customers. Seek feedback from your target users before you take your idea to completion. You and your colleagues are probably excellent champions of your ideas, but not necessarily the best judges of customer response and product viability. One method of testing your product is known as *rapid prototyping*, which involves developing a quick, cheap prototype that can demonstrate basic functionality and spark initial responses to the product. The prototype is then enhanced or abandoned at an early stage, both saves money and fosters a creative or experimental mindset.