

Habilitation – “The Age of ‘good enough’ Innovations: Can Frugal Innovations be the Next Driver of Growth in Emerging & Industrialized Economies?”

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Dr. Rajnish Tiwari is currently pursuing a post-doctorate (“Habilitation”) which can be summarized under the overall theme: “The Age of ‘good enough’ Innovations: Can Frugal Innovations be the Next Driver of Growth in Emerging & Industrialized Economies?”. The broad project concept is described in the following:

Increasing affluence of the growing middle classes and a substantial reduction in the number of people living below poverty-line in the unsaturated markets of “emerging” economies, in and beyond the BRIC group of nations (Brazil, Russia, India, and China), is driving demand for innovative products (goods and services) that combine elements of affordability, quality, and good brand value. The attractive value proposition of such products (“frugal innovations”) lies in their capability to substantially reduce the total cost of usage and/or ownership while providing robust and user-friendly solutions that fulfill or even exceed acceptable quality standards. One of the charms of such products may be seen in eliminating unnecessary frills and reducing over-engineering in order to attain quality levels that are simply “good enough”.

The thin profit margins associated with such innovations often require economies of scale and scope to offset the “disadvantage” rooted in low product prices. Frugal innovations, therefore, often take place in open global innovation networks (OGINs) and make use of product analogies in order to reduce market and technology uncertainty. Products such as GE’s ultrasound machine developed in China or Maruti Suzuki’s passenger cars produced in India are some of the examples of successful frugal innovations. Such offerings have become crucial to secure growth in the unsaturated markets of developing countries, whose share in the global economy grew from 20.7% in 2001 to 38.1% in 2012, and is expected to reach 44% by 2018 (IMF data). Furthermore, they also enable new (disruptive) opportunities in the industrialized nations. The ongoing economic crisis in many European nations, coupled with environmental concerns of many consumers, is creating market opportunities for frugal products in Europe (and North America).

The age of “good enough” solutions creates opportunities as well as challenges for stakeholders in firms and policy-making institutions, as well as for consumers. This project seeks to address issues including but not limited to the following:

- How can frugal innovations be explicated and what is their impact on our current understanding of innovations?
- What innovation management practices should be implemented to fully utilize the potential of frugal innovations globally?
- How can (product) analogies be utilized for reducing market and technological uncertainty of frugal products?
- What are the socio-environmental implications of frugal products in both country-specific and global contexts?
- What policy measures are required to support/regulate frugal innovations to ensure (sustainable) public welfare?

In addition to a founded theoretical discussion and examination of empirical evidence related to acceptance and implementation of frugal innovations, the study seeks to critically assess their implications for the wider practices of innovation management, especially in the light of a looming resource-crunch, increasing population in poor countries, and stagnating growth in the West. In-depth studies, including country- and sector-specific analyses, will be carried out employing a wide variety of instruments of qualitative and quantitative research. An attempt is to be made to collaborate with interdisciplinary fields such as political economy, sociology, and (business) psychology. We also seek to partner with institutions from various engineering fields engaged in creating frugal solutions.