Innovation

Summary of the book:
The Prosperity Paradox - Clayton M. Christensen

By: Nidal Khalifeh

Intro

"It's not an easy thing to be laughed at by serious people. And serious people laughed at me when I told them I wanted to build a telecommunication network in Africa twenty years ago. They told me all the reasons the project would never succeed. Somehow I just kept thinking, I know there are challenges by why can't they see the opportunity?"

MO IBRAHIM

Topics

1. Types of innovations
2. Nonconsumption
3. Emergent vs deliberate strategies
4. Pull vs push
5. What now?

Types of Innovations

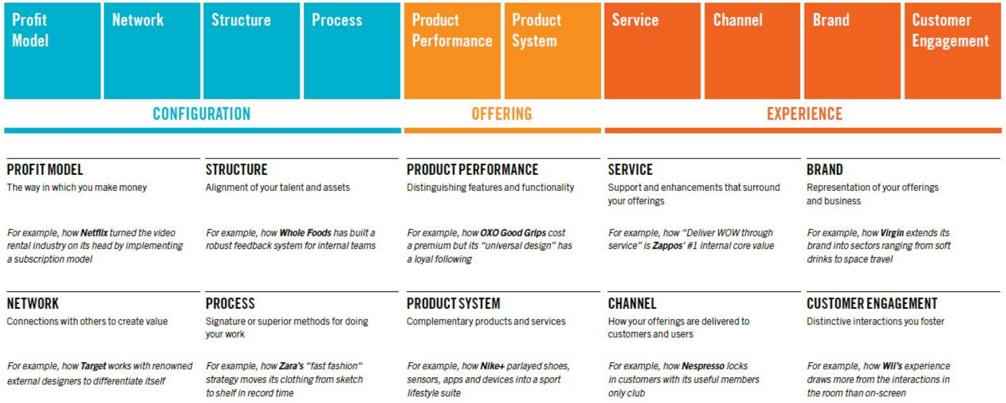
Innovation

Jobs . Profits . Culture

A change in the processes by which an organization transforms labor, capital, materials, and information into products and services of greater value

Types of Innovations

1. Sustaining innovations
2. Efficiency innovations
3. Market-creating innovations



Types of Innovations

Type 1: **Sustaining innovations**

Improvements to existing solutions on the market and are typically targeted at customers who require better performance from a product or service.

Types of Innovations

Type 1: **Sustaining innovations**

When the segment gets saturated, sustaining innovations often have a **substitutive** effect on consumption

Types of Innovations

Type 1: **Sustaining innovations**

They keep the organization competitive, profitable and relevant but do no great impact on **growth**

Types of Innovations

Type 1: **Sustaining innovations**

Examples:

New credit card, heated seats, car colors, tea flavors…etc.

They are usually sold for more money and at a higher margin.

Types of Innovations

Type 2: **Efficiency innovations**

Enables organizations to do more with fewer resources.

Types of Innovations

Type 2: **Efficiency innovations**

They are process innovations. More profit and liquidity on hand

Types of Innovations

Type 2: **Efficiency innovations**

Examples:

Toyota lean manufacturing model

Types of Innovations

Type 1 & 2 are important for organizations success yet they **rarely add new jobs or grow an economy**.

They play a different role to the economy by keeping it competitive and vibrant, freeing up cash for future investments.

Types of Innovations

Type 3: **Market-creating innovations**

Transform complex and expensive products and services into **simple** and more **affordable** products, making them **accessible** to a **whole new** segment of people in a society who we call “nonconsumers”

Types of Innovations

Type 3: **Market-creating innovations**

It creates new markets that serve people for whom either no products existed or existing products were neither **affordable** nor **accessible** for a variety of reasons.

Types of Innovations

Type 3: **Market-creating innovations**

It creates **jobs**, **profits**, and changes the **culture**

Types of Innovations

Type 3: **Market-creating innovations**

It **democratizes** previously exclusive products and services

Types of Innovations

Type 3: **Market-creating innovations**

“One of the things that people don’t understand is that markets are creations. They are not something which we can find. A market has to be created”

RONALD COASE, 1991 NOBEL LAUREATE IN ECONOMICS ahli

Types of Innovations

Type 3: **Market-creating innovations**

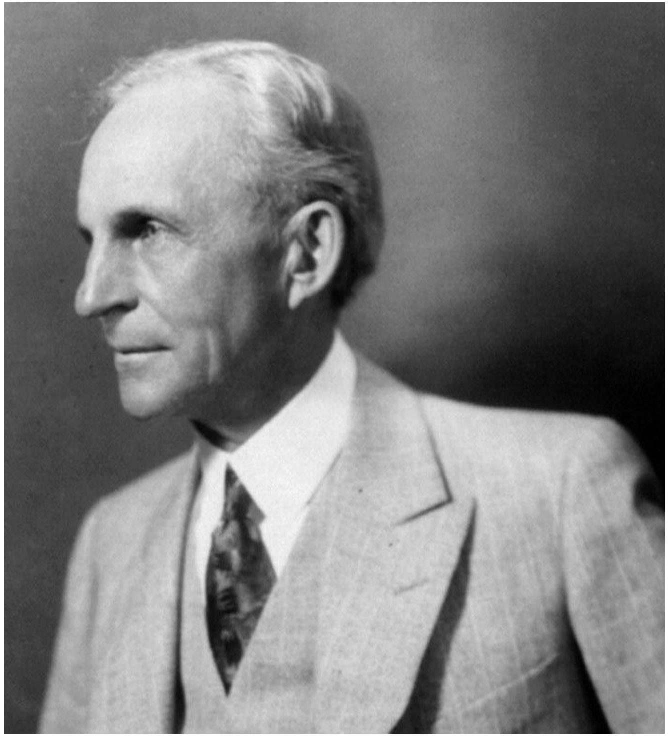
Example:

Impact of Ford Model T Effect

Leveraged: Steel, Glass, Wood, Rubber, Paint, Cotton, Rail, Ships

Enabled: Roads, Schools, Restaurants, Hotels, Construction, Suburbs, Tourism..etc.

Jobs Created: Design, Testing, Distribution, Sales, Repairs...etc.



Types of Innovations

Type 3: **Market-creating innovations**

It is less about the actual product being sold and more about the **value network** and **business model** an innovator develops

Nonconsumption

Nonconsumption

Where would-be consumers are desperate to make progress in a particular aspect of their lives, but there's no affordable and accessible solution to their problem.

So they simply go without or develop **workarounds**

Nonconsumption

Example:

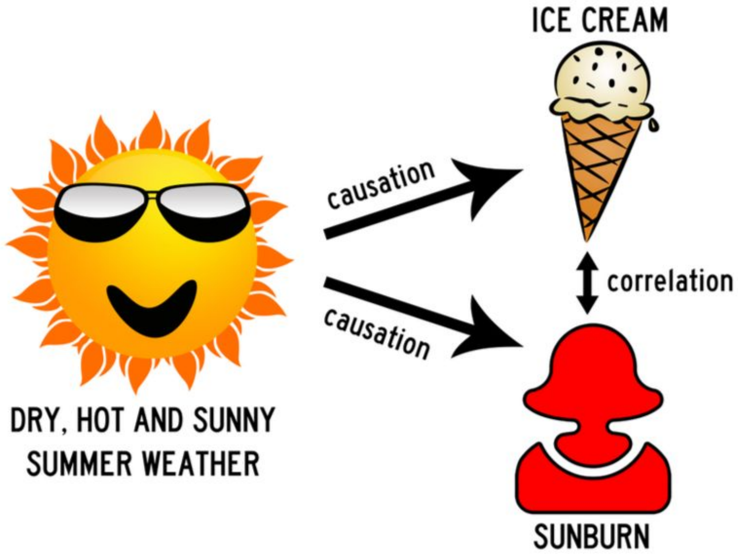
Celtel started in 1998 with the pain of villages far apart and people need to communicate in an affordable manner. Today Celtel operations in 13 African countries and the company was sold for 3.4 billion USD in 2005.

Nonconsumption

How to spot nonconsumption?

Ask: What **causes** what and why?

Go from correlation to causality



Nonconsumption

Example:

Humans replicated what they believed allowed birds to fly “wings & feathers”. Yet even when they followed what they believed best practice, they failed. Although wings & feathers are **correlated** with flying, the would-be aviators did not understand the fundamental **causal** mechanism that enabled certain creatures to fly.

Nonconsumption

How to spot nonconsumption?

There are four barriers that prevent people from consuming a solution: **Skill**, **wealth**, **access**, and **time**.

Nonconsumption

Attributes to look for when considering market-creating innovations:

1. Business models that target nonconsumption
2. An enabling technology
3. A new value network
4. An emergent strategy
5. Executive support

Emergent vs deliberate strategies

Emergent vs deliberate strategies

A **deliberate** strategy is one that arises from conscious, thoughtful, and organized action on the part of a business and its leadership. It's typically generated from a rigorous analysis of data, including metrics such as: Market growth, Segment size, Customer needs, Competitor strengths and weaknesses, and Technological trajectories.

Source: https://online.hbs.edu/blog/post/emergent-vs-deliberate-strategy

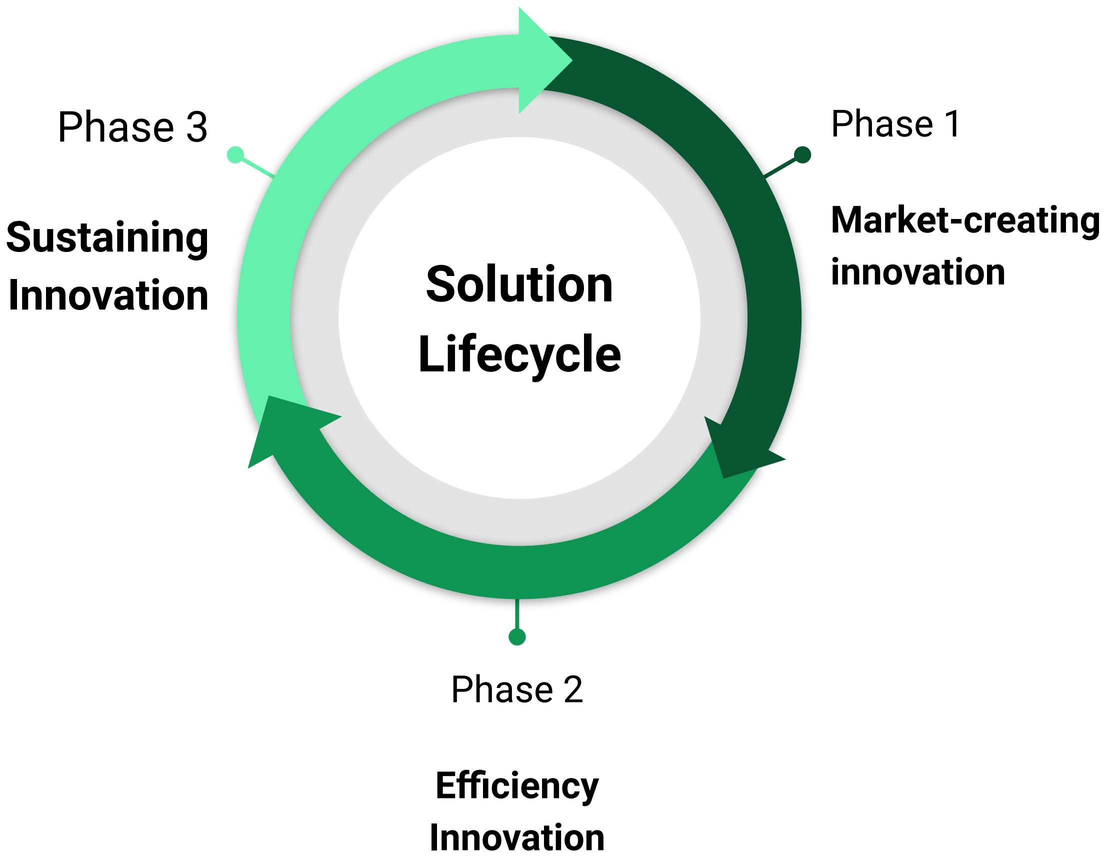
Emergent vs deliberate strategies

An **emergent** strategy is one that arises from unplanned actions and initiatives from within an organization. It's typically viewed as the product of **spontaneous innovation**, and often a direct result of the daily prioritization and investment decisions made by individual contributors, such as middle managers, engineers, financial staff, and salespeople.

Source: https://online.hbs.edu/blog/post/emergent-vs-deliberate-strategy

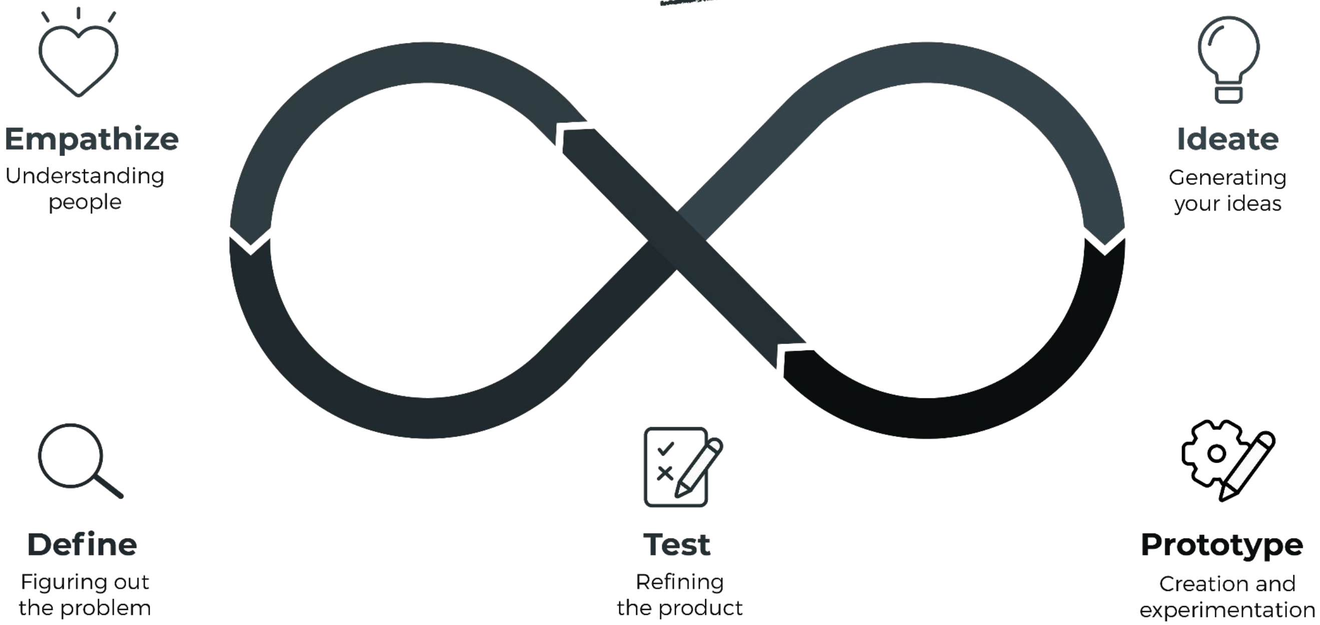
Emergent vs deliberate strategies

When addressing a market-creating innovation organizations need to deploy an **emergent** strategy that is **agile** and flexible. The strategy needs to change and adapt according to users **feedback**. Nonconsumption is hard to predict and requires empathy to achieve its “**product-market-fit**”



Phase 3
Sustaining Innovation
Solution Lifecycle
Phase 1
Market-creating innovation
Phase 2
Efficiency Innovation

DESIGN THINKING



Pull vs Push

Pull vs Push

Push strategy pushes the resources that wealthy communities have and that poor communities lack in the **hope** to solve the problem.

Yet this create **temporary** success.

Pull vs Push

Innovations that **pull** in necessary resources a society requires. Once an innovation is successful they incentivize maintain the resources the innovation requires to grow. Such as **infrastructure**, **education**, and even **policies**.

Pull vs Push

Pull strategies ensure a ready market is waiting. This is essential for long-term and sustainable **prosperity**

Pull vs Push

So pull or push. First pull… then push is created in a sustainable manner due to the pull…..

It's all about the **sequence**

Don’t cure the pain cure the disease

Pull vs Push

Why don’t people use pull?

No one gets **fired** for push “building a Well”... it gives a feeling of accomplishment

Pull includes **mistakes** and **iterations** ... if no support from culture and top management... you get **fired**

Pull vs Push

Example: Pull

Indomie instant noodles - Tolaram (Nigeria 1988)

Impact (USD):

- 241 billion/year added to economy
- Staff income: 7.6 billion/year
- Government revenue: 4.5 billion
- Investment in manufacturing sector: 70 billion
- Direct jobs creation: 8,570
- Total jobs created: 42,850

Pulled into economy:

- Electricity generation
- Water and sewage treatment plant
- 1.5 billion deep-sea port
- Education
- Logistics.....etc.

20 cents USD/unit

What now?

What now?

*"Most of the things worth doing in the world had been declared **impossible** before they were done"*

LOUIS BRANDEIS

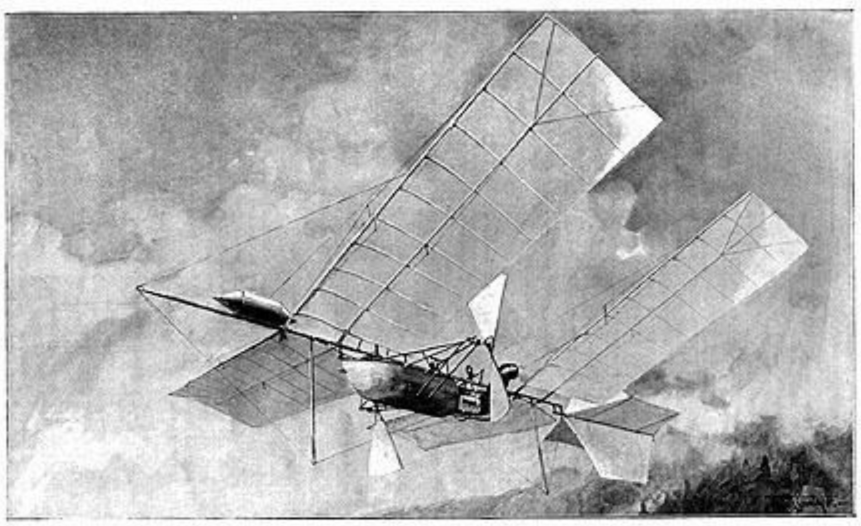
What now?

A company survives because of its resources “people” but a company **thrives** in the long run because of its **processes**

Why?

Market-creating innovations require **special processes** to produce their products & services

What now?

Reframing the problem - Wright brothers vs Langley

Thank you

Nidal Khalifeh - Jordan ahli Bank