# Reverse Innovation: Create Far from Home, Win Everywhere

by Vijay Govindarajan and Chris Trimble

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Gatorade seems like a quintessentially American product. The sports drink was developed in research labs at the University of Florida during the 1960s to quickly rehydrate players on the school’s football team, the Gators. But the idea for Gatorade isn’t American at all. As Vijay Govindarajan and Chris Trimble of Dartmouth College’s Tuck School of Business explain at the opening of their latest book, Reverse Innovation: Create Far from Home, Win Everywhere, the drink’s origins can be traced to Bangladesh, where for centuries practitioners of ayurvedic medicine have used liquid concoctions of carbohydrates, sugar, and salt to quickly hydrate patients. U.S. doctors who traveled to Bangladesh during cholera outbreaks in the early 1960s “discovered” this remedy and wrote about its efficacy. And a doctor at the University of Florida read their report and realized that it could also work for dehydrated football players.

Gatorade is an example of reverse innovation, an increasingly necessary pattern in the corporate innovation playbook in which product ideas start in emerging markets and flow “uphill” to more established markets. Govindarajan (who, in full disclosure, is a friend of my family as well as an Innosight fellow) and his longtime collaborator Trimble are the leading academic experts on this pattern, having written a seminal article on the subject for Harvard Business Review (with General Electric Company CEO Jeffrey Immelt) in 2009 before collaborating on this book.

The authors explain that the leaders of global companies typically move through five levels of thinking when considering emerging markets. Level One leaders are in simple denial: They argue that the new market doesn’t matter. Level Two thinkers assume they can skim the cream from the market by targeting the wealthiest customers, while they wait for it to develop and act more like their home markets. At Level Three, companies follow a “glocalization” strategy, in which they develop local versions of global products. Reverse innovation begins to kick in at Level Four, as companies see that the unique needs of emerging markets require them to design new products from scratch. Finally, at Level Five, companies recognize the opportunity inherent in reversing the flow of innovation by using products developed in an emerging economy to create organic growth in mature markets.

To help companies get to Level Five, the authors offer a “Reverse Innovation Playbook,” which describes in plain language practical concepts such as clean-slate innovation, local growth teams, market-back approaches, visible CEO actions, and separate scorecards for reverse innovation initiatives. Some parts of the playbook are more developed than others (for instance, the guidance on selecting members for local growth teams is a bit thin), but practitioners will likely gobble up the discussion guides, templates, “how-to” tips, and chapter summaries that have become familiar features of the coauthors’ books.

Govindarajan and Trimble portray reverse innovation in action in the second half of the book, which consists of chapter-length case studies featuring companies such as Procter & Gamble, Pepsi, and General Electric. Most of these examples have not been widely documented. The stories, for instance, of how Deere & Company developed a winning tractor in India and how Harman International Industries created a cost-effective in-dash infotainment system that delivers “functionality similar to Harman’s high-end products at half the price and one-third the cost” for India and China are particularly compelling.

I have a few quibbles with the book. The second chapter is a speed bump; its discussion of the five “need gaps” in emerging markets is positioned at too high a level to be useful, and it offers dated and recycled examples. The quality of the chapter-length case studies varies; some of the latter ones (particularly the study of General Electric, where Govindarajan served as the chief innovation consultant for two years) pack more of a punch than earlier ones. More broadly, although the case studies all describe interesting innovations in emerging markets, the degree to which some have affected established markets is less clear. The cases also notably lack geographic diversity — most come from India. Finally, many elements from the playbook are consistent with general innovation practices, raising questions about the degree to which reverse innovation is a distinct category of innovation. (To the authors’ credit, they note repeatedly that reverse innovation is a “next practice” that requires further study, and Appendix B raises a host of interesting research questions.)

Quibbles aside, Reverse Innovation is still the first innovation book of 2012 that I widely recommend to clients and colleagues. It is an important contribution to the literature on this topic, featuring powerful stories and practical guidance that will connect with strategists, academics, corporate leaders, and practitioners.

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