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“Frugal innovation in the context of social entrepreneurship”

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How to leverage innovation practices in extreme environments as a source of competitive advantage?

There is an urgent need to “open up” traditional companies and make them more attractive to innovative competence outside their traditional boundaries, and establish the necessary structures and platforms required to accelerate cooperation with external talent, innovators, entrepreneurs, subcontractors and the wider community. This is particularly true for social enterprises, that often operate under adverse business conditions.

In today’s hyper-competitive, über-connected globally integrated economy requires that companies develop and launch new products and services faster than you can say “silo-based research-and-development!” The innovation resources required to achieve this and successfully renew and adapt their businesses do not exist within the enterprise itself, but outside of the organisation.

It is not only the case that large multi-national companies must find new strategies for opening up and learning to collaborate with a wider variety of organisations and entrepreneurs (by providing access to their established brands, distribution channels, subcontractor relations, CRM databases, premises, attorneys, and more) but they must also learn how to work as if they really are entrepreneurs themselves.

In the near future it will not be a question of whether you will be working with open innovation, but rather how. Success on this path requires strategy, awareness and competence at C-level.
We now see a new generation of entrepreneurs who, in a very short timescale, create value that traditional industry cannot match. Nevertheless, the government’s efforts are overwhelmingly focused on keeping the old industry alive through large low interest loans, subsidies and tax cuts. This is happening while governments are reaping the tax benefits of the new economy and arguably becoming defendant on these revenues.

Now is the time to foster and drive the creation of ecosystems that are favorable for Startup companies and entrepreneurs – so they can find each other, gain access to capital and exploit local and national synergies in cooperation with established businesses as well as the public sector.

Western corporations once led the world in new ideas, but many now churn out expensive, overly-complicated products weighed down by unnecessary features. In contrast innovators in poor countries keep things simple by necessity, and focus on solving real problems instead of creating demand. Now, say those in the field, major multi-nationals based in the west are also starting to innovate frugally. Many offer cheaper, pared-down products in emerging markets like India, China and Brazil, but they quickly realised there was also a demand for simplicity and affordability back home, where recession and worries about a natural resource crunch mean those in richer countries are feeling squeezed too.

What can your region learn from those who have had success in creating such Startup ecosystems in Stockholm and Helsinki? Can your region foster new valuable talent and establish the basis for the new economy fast enough? Can social enterprises in your region tap into the vast potential of frugal innovation to deliver more impact? Can we replace the old school decision-making protocols before the opportunity window closes and we are left with short-term, cost-cutting-solves-everything attitudes?