



JOHNSON SCHOOL
Cornell University

The Base of the Pyramid and Disruptive Innovations

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Global Enterprise**



Who has heard of Joseph Schumpeter?



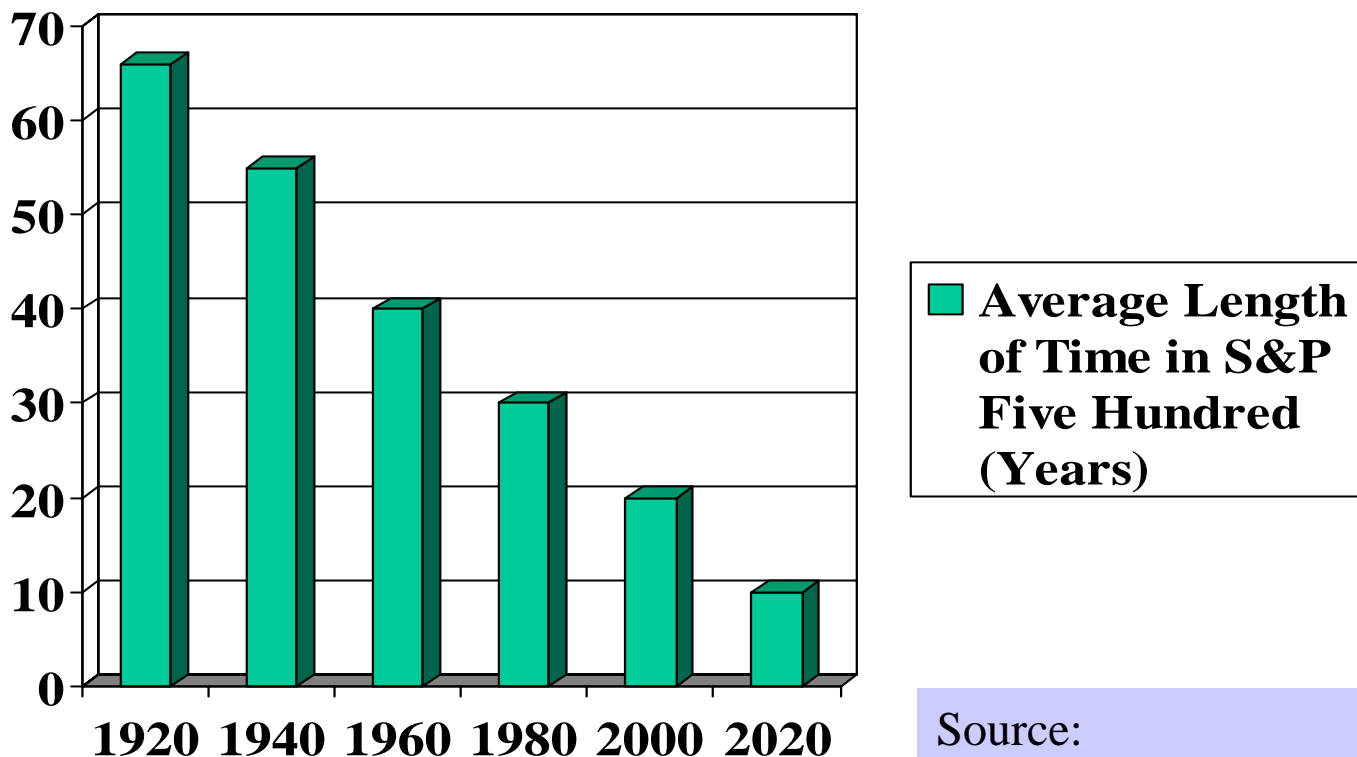
“... the problem that is usually being visualized is how capitalism administers existing {industrial} structures, whereas the relevant problem is how it creates and destroys them.”

Joseph Schumpeter, 1942

Capitalism, Socialism and Democracy



Creative Destruction is Accelerating



Turnover Rate:
1920: 1.5% per year
2020: 10% per year

Source:
Foster, R. and Kaplan, S.
Creative Destruction, 2001

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“By 2020, more than three quarters of the S&P 500 will consist of companies we do not know today.”



Continuous Improvement vs. Creative Destruction

Source: S. Hart and M. Milstein, "Global sustainability and the creative destruction of industries"

Greening

Focus on Existing:

products
processes
suppliers
customers
shareholders

Characteristics:

Incremental
Continuous Improvement
Rationalizes Industry

Example: Responsible Care

Beyond Greening

Focus on Emerging:

technologies
markets
partners
customers
stakeholders

Characteristics:

Discontinuous
Creative Destruction
Restructures Industry

Example: Chemical Industry

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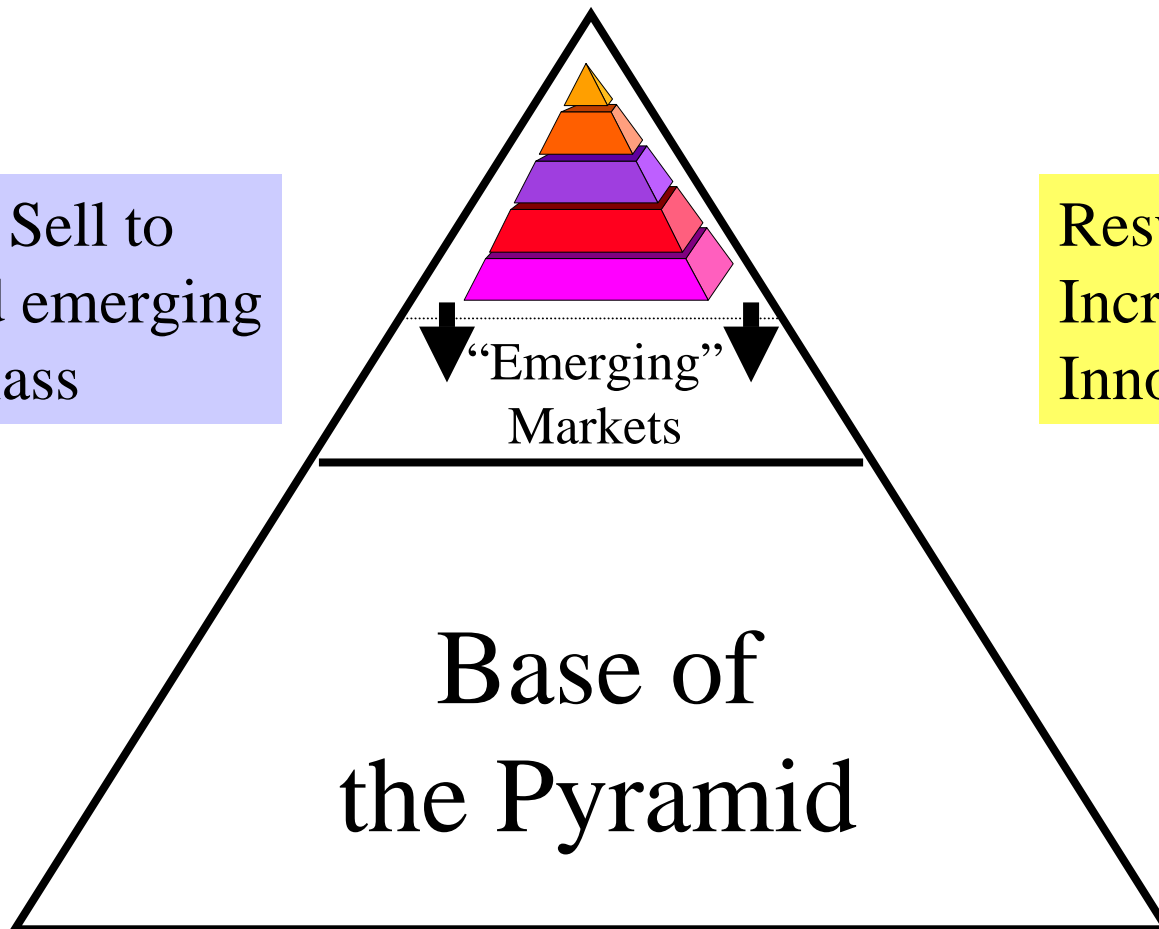
**Question: Where will the
growth come from?**



Emerging Markets: Incremental Extension

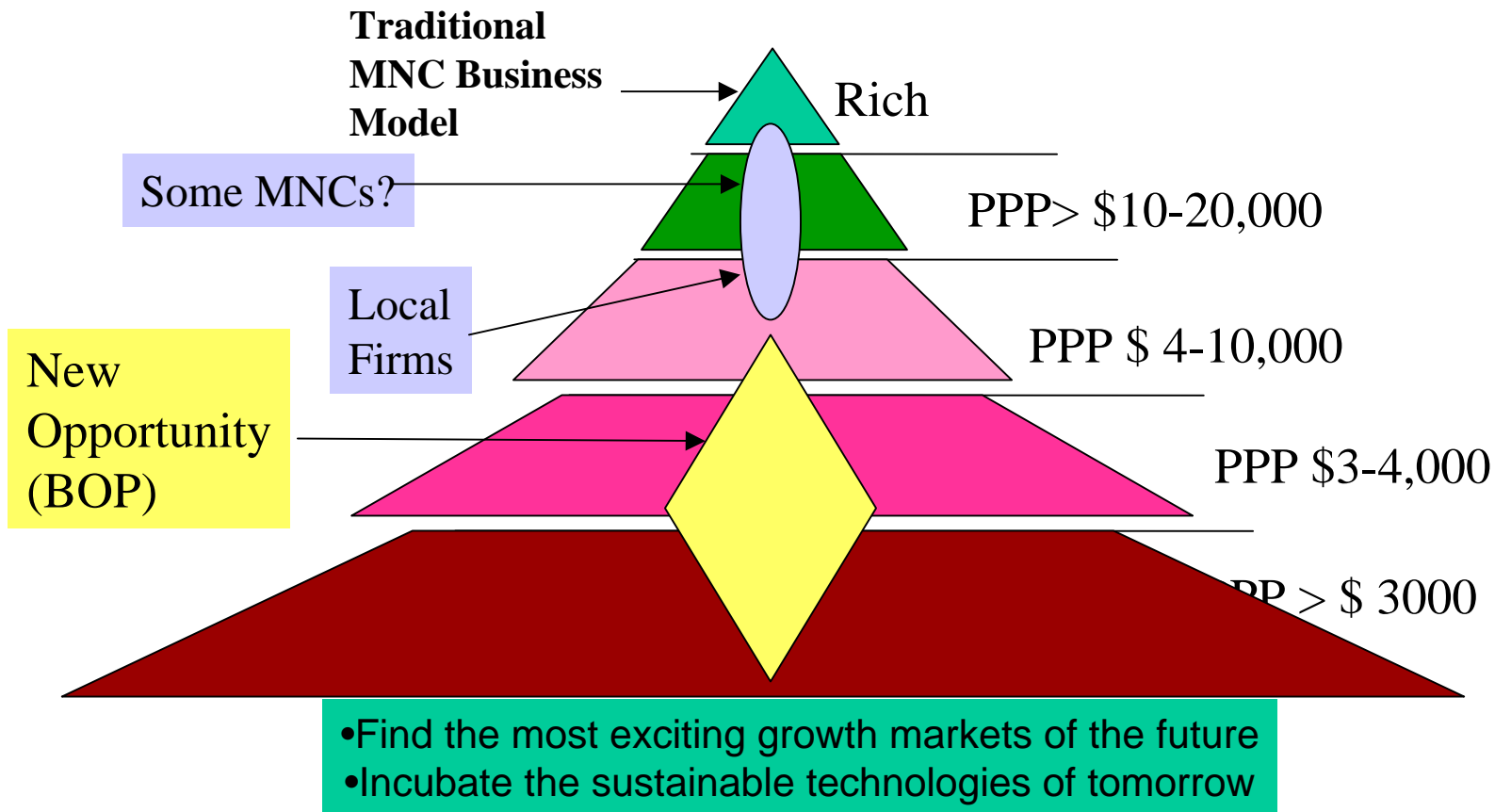
Strategy: Sell to
elites and emerging
middle class

Result:
Incremental
Innovation



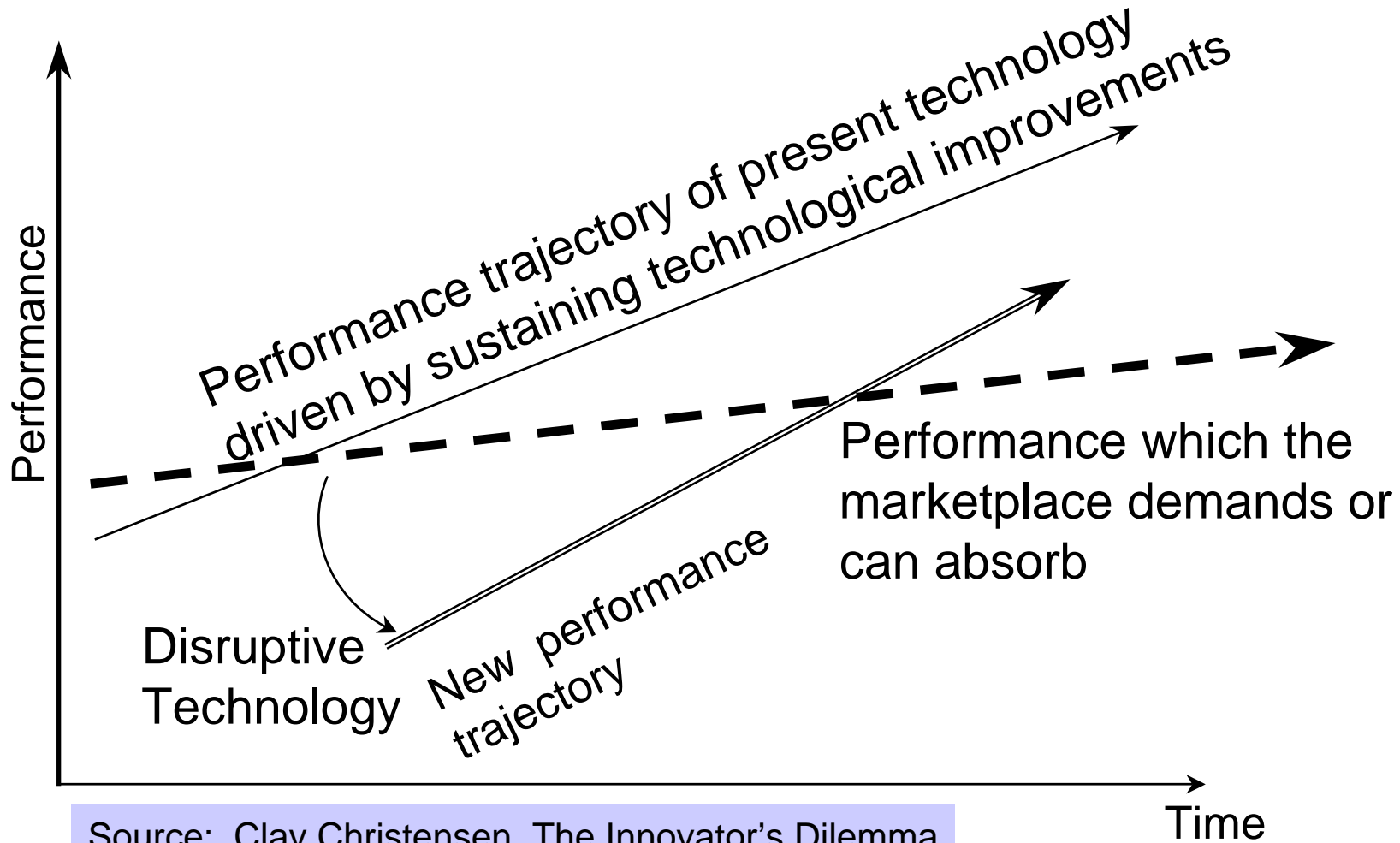


Emerging Market vs. BOP Focus





Disruptive Technologies: Incubating from the Bottom-Up

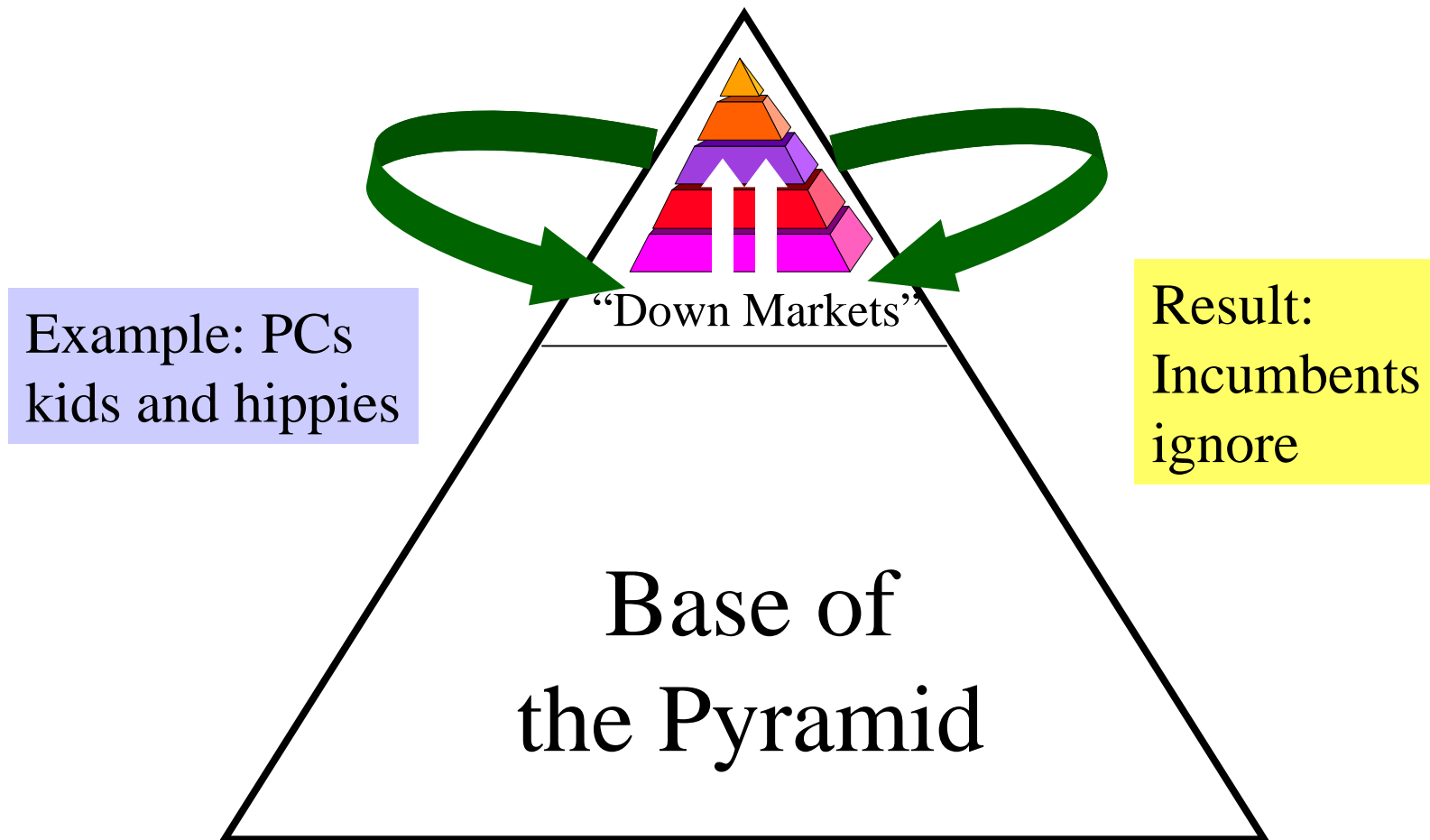


Source: Clay Christensen, The Innovator's Dilemma

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“Down Markets”: Quirky and Small?

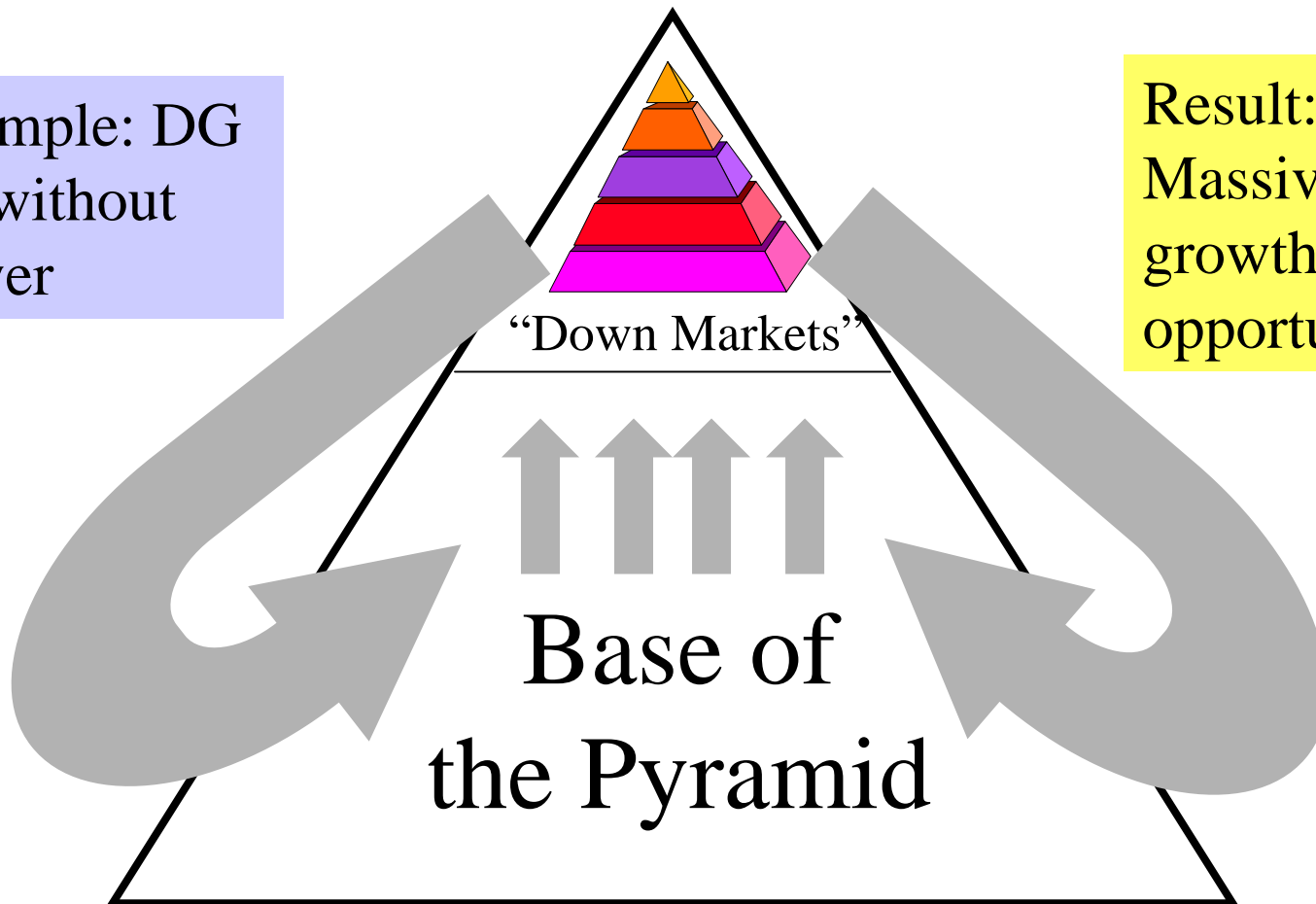




Bottom of the Pyramid: The Ultimate “Down” Market

Example: DG
2B without
power

Result:
Massive
growth
opportunity



Source: Stuart Hart and Clay Christensen,
“The Great Leap” Sloan Management Review, 2002.

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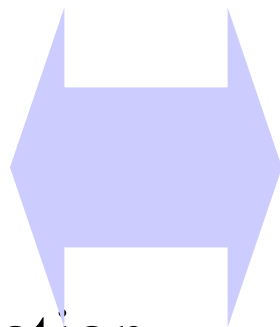
**All “sustainable” innovations
will be disruptive...
But not all disruptive
innovations will be sustainable**



The Tension

- Continuity

- Efficiency
- Operations
- Control
- Resource Allocation
- Convergent Thinking



- Discontinuity

- Imagination
- Innovation
- Creative Destruction
- Resource Attraction
- Divergent Thinking

Shiva:
The Destroyer



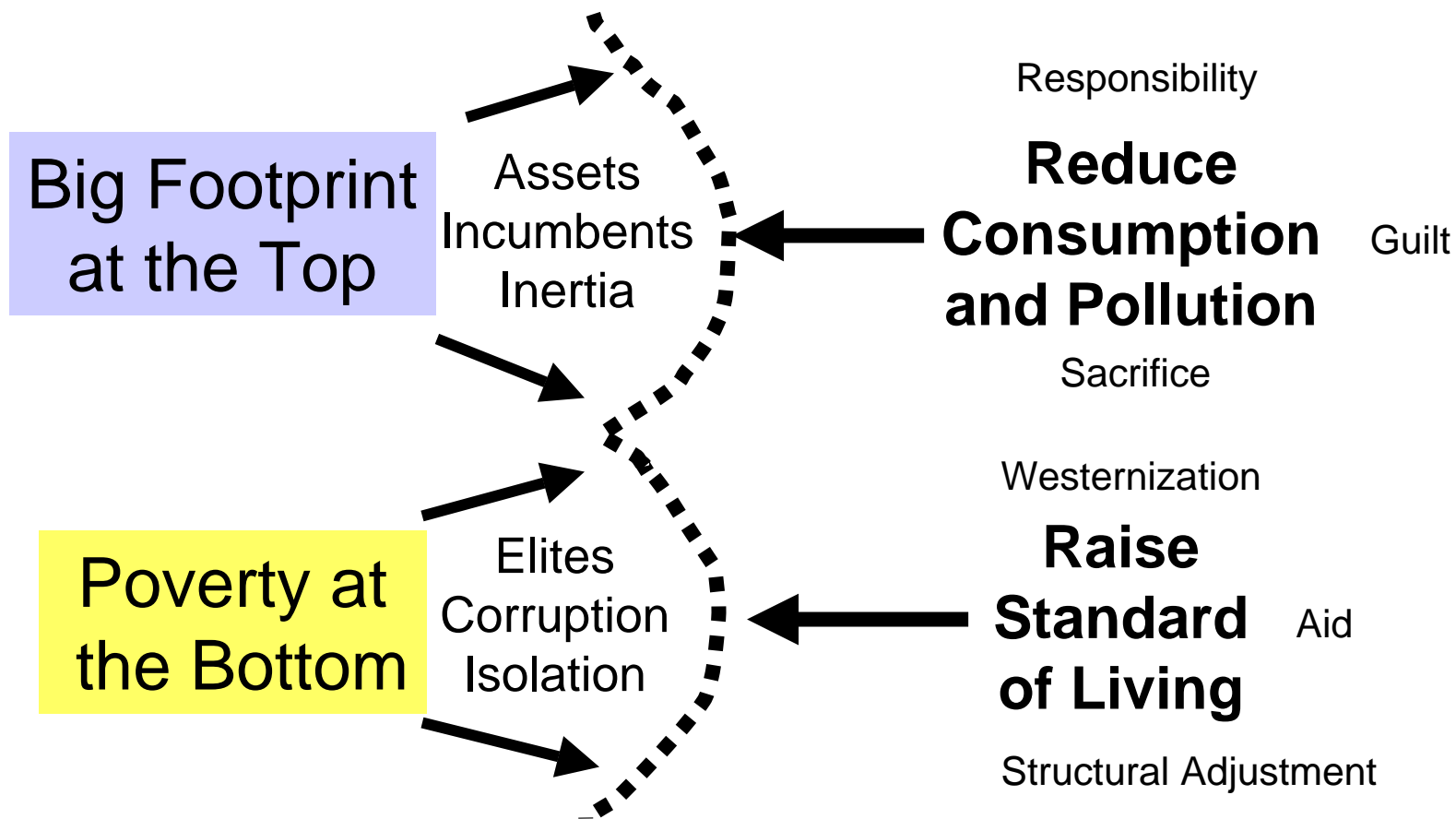
Vishnu:
The Arbitor



Brahma:
The Creator

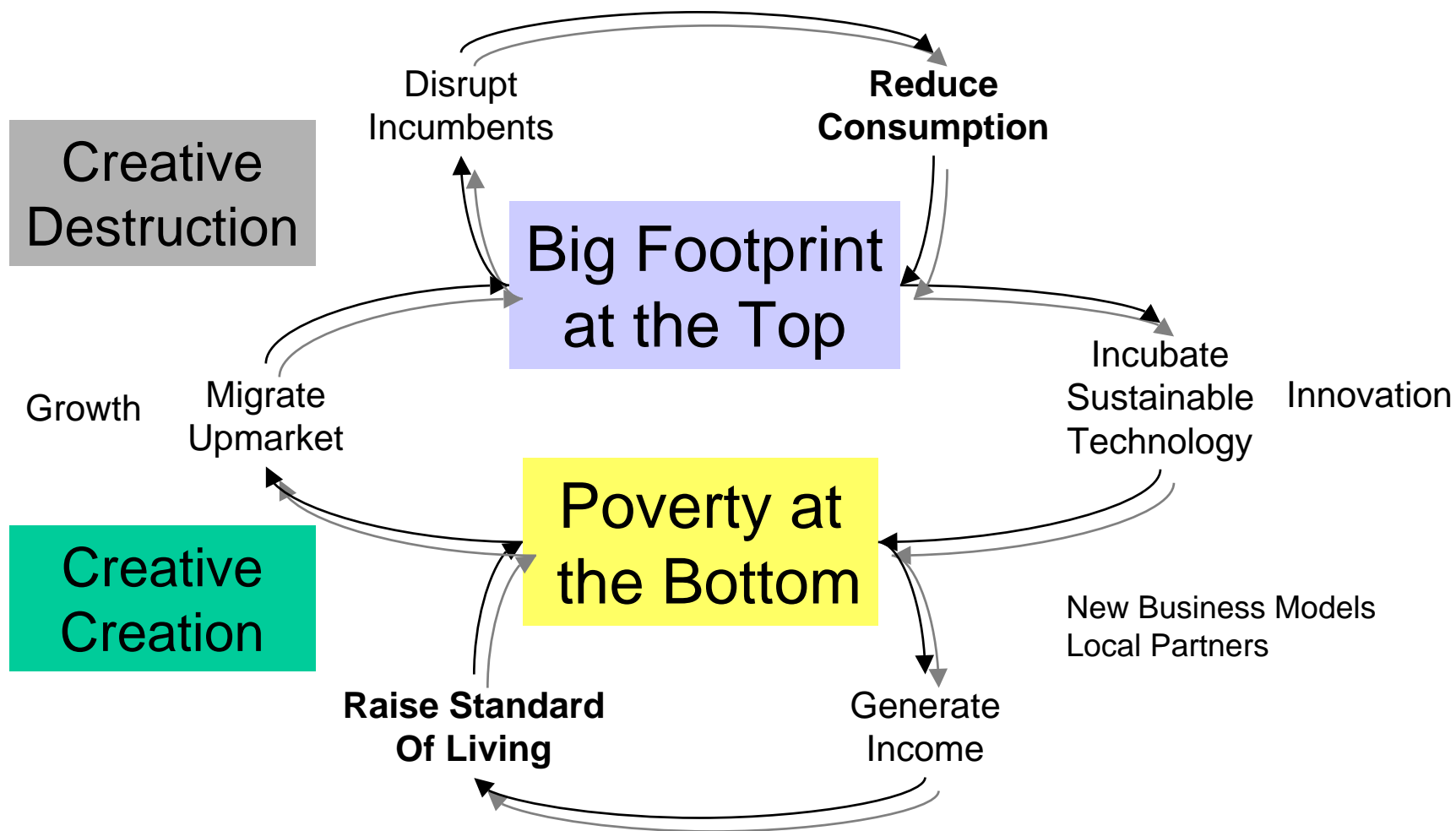


The Battle for Sustainable Development: Old Model





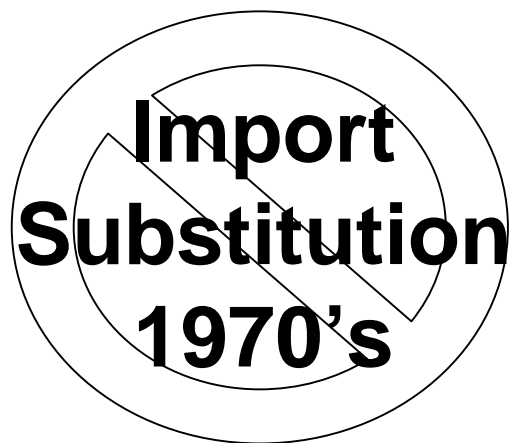
Sustainable Development as Entrepreneurial Judo: New Model



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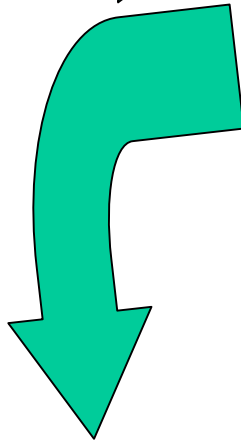
A New Development Paradigm?



- Cater to established needs
- Protectionism blunts competitiveness



- Race to the bottom
- Excess capacity
- Declining terms of trade



**The Great Leap
2000's**