A Reverse-Innovation Playbook

Insights from a company that developed products for emerging markets and then brought them back home

by Vijay Govindarajan

When a multinational corporation learns to generate successful innovations in emerging markets and then exports that knowledge and those innovations to the developed world, new business possibilities suddenly burst forth. The limits imposed by its traditional operations become surmountable, and the company can rethink all its products and attack new markets in search of growth.

But few companies experience this kind of renaissance, because reverse innovation—developing ideas in an emerging market and coaxing them to flow uphill to Western markets—poses immense challenges. It inevitably requires a company to overcome at least some aspects of the institutionalized thinking that guides its actions. Typically that involves major changes: throwing out old organizational structures to create new ones from scratch, revamping product-development and manufacturing methods, reorienting the sales force.

That is why the reverse innovation in the automobile-infotainment division of Harman International stands is so impressive. The U.S.-based business, known for ultra-sophisticated dashboard audiovisual systems designed by German engineers, developed a radically simpler and cheaper way to create products in emerging markets and applied that method to its product-development centers in the West. (To understand why reverse innovation is on the rise, see “How GE Is Disrupting Itself,” HBR October 2009.)

Harman did this using a two-part approach: radical change from below combined with astute leadership from above. A small team based in India and China set audacious goals, created a new organizational structure, and adopted new design methods, while the chief executive, Dinesh C. Paliwal, rebranded the company’s future, shifted the corporate center of gravity to emerging markets, ensured that legacy units continued to thrive, and averted conflict between old and new.

This approach ultimately enabled Harman to offer an unprecedented range of