
Book Review

Reviewed by Daniel Ehls

E-mail: daniel.ehls@tuhh.de

Aiming Big with Small Cars: Emergence of a Lead Market in India
by: Rajnish Tiwari and Cornelius Herstatt
Published 2014
by Springer International Publishing AG
Gewerbestrasse 11, 6330 Cham, Switzerland, 229pp
ISBN: 978-3-319-02065-5

The next level of global innovation: from leading products to leading markets?

The view of globalisation in general and of ‘global innovation’ in particular has undergone a change in the past decade, especially in respect of emerging and developing economies (hereafter grouped as developing economies/countries). Until recently developing countries were viewed as endowed with cost advantages and therefore as preferred locations for low-cost manufacturing for products targeted at the Western markets; where as innovations primarily occurred in the developed economies of the industrialised nations. However, very soon the strategic advantages of the developing countries have been recognised by scholars and managerial decision makers. Cost benefits are still existent, but the developing countries have become important markets with a plenty of unsaturated demand and large and young populations. Proximity to local customers, establishing long-term partnerships, and gaining market access are regarded as key factors for foreign direct investments (FDI). It became clear, that integrative partnering with developing countries could not only bring process efficiency and production flexibility, but also clear advancement of business development, R&D activities and global innovation.

Firms aligned their R&D strategies and new product development practices emerged: E.g., firms recognised the need to adapt their products to local requirements and build up national innovation labs. The products created by local innovation labs very soon gained marked acceptance beyond the emerging countries. The innovations ‘trickled up’ (Prahalad, 2004) from the developing countries to the developed countries – a ‘reverse innovation’ pattern (Immelt et al., 2009). At this point in today’s multipolar world with ‘global products from innovation labs in developing countries’ the question about the next development concept arises. The recently launched book *Aiming Big with Small Cars: Emergence of a Lead Market in India* by Rajnish Tiwari and Cornelius Herstatt nurtures this conversation. The book is published by Springer and comprises ten chapters. It particularly addresses managers of firms and economically orientated think tanks. In time for the year 2014, the book is internationally available now.

This book targets the lead market concept by examining its applicability for developing countries. In particular, the authors rise the question “whether successful and sustainable lead markets can also emerge in developing economies, and if yes, under which conditions”? This question is then studied in the light of several cross-sectoral cases from India, before diving deep into the small car segment of India’s automotive industry, which builds the cornerstone of this book. Lead market theory (Beise, 2004) has traditionally argued that the diffusion of globally successful innovation first occurs in one country before other lagging countries adopt the innovation. The invention can originate from another country, but “the lead market denotes the country where a globally successful innovation first took off” (Beise, 2004). Firms can apply this knowledge by integrating the local preferences of the lead market in order to develop a ‘true’ global innovation. Tiwari and Herstatt transfer the lead market theory to India’s automobile industry and apply the framework beyond economically highly developed nations. Thereby the book is particularly interesting due to three aspects: the lead market discussion, the local knowledge of the authors, as well as an important geopolitical case selection with India.

India, the selected geopolitical focus, underscores a quasi ‘inevitability’ for global innovation. India faces a tremendous but also highly heterogeneous market – a population total of about 1.3 billion but only a gross national income per capita (Atlas method) of only 1.530 USD, the lowest within BRICS and MIKT¹. Nevertheless, India’s market is the origin of remarkable innovations like the general electric portable ultrasonic device or the Tata Nano. It is for these reasons that in a discussion of global innovation India should be reflected.

A further characteristic of the book is the ‘indigenous’ knowledge of the authors. The present book is the result of nearly ten years of work on this topic. In this time, the authors have conducted numerous field trips to India and gained a strong understanding of the particular circumstances. Moreover, the authors are leading the Center for Frugal Innovation in Hamburg, as well as the ‘global innovation’ project concentrating on internationalisation of R&D activities. They are strongly connected to the German Indian Round Table (GIRT) in Hamburg which enables insights into several industry networks and latest business practices.

Foremost of all, the book links the lead market concept to developing economies that have been neglected so far in this stream of academic discourse. The authors identify and address the gap whether the lead market model is also applicable for emerging countries. They aim to update the present model to the new circumstances of a globalised world and introduce a modified version of the lead market model. They develop a model that can identify lead market potential in developing countries, which is seen to take place under two main conditions. Essential is that

- 1 the low per-capita income, and the resultant thin margins, can be mitigated by the volume of potential demand in the domestic market
- 2 that sufficient technological capabilities exists in order to develop products locally.

This claim seems not only be relevant from a lead market perspective but, if corroborated, also from a global innovation point of view. It would add to the discussion that innovation labs in emerging countries can not only supply successful global products but it also indicates towards the possibility that emerging markets could probably turn into strong powerhouses for innovations in the coming decades.

Summarising: The authors describe the next level of global innovation, and point the way from leading products to leading markets. A book strongly to be recommended for scholars and practitioners alike in the field of innovation management and international business. The book brings challenging perspectives to the reader and the author's approach gives interesting food for thoughts.

References

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Notes

- 1 Figures of 2012 by The World Bank [online] <http://data.worldbank.org/country/india> (accessed 2nd December 2013).