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# Navi Radjou

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Navi Radjou is the Executive Director of the Centre for India & Global Business at the Judge Business School at the University of Cambridge.

## R&D 2.0: Fewer Engineers, More Anthropologists

4:56 PM Wednesday June 10, 2009 | [Comments \(11\)](#)

Recently GE made a big splash by [announcing a \\$3 billion R&D investment](#) over the next six years to develop low-cost healthcare equipment targeted at underserved populations — who primarily live in emerging markets like India, Brazil, and South Africa.

With most Western economies staying in the red through 2010, expect more Western firms to emulate GE and bet their organizations' future on emerging markets like China, India, and Brazil whose resilient economies keep growing. To enable this global expansion strategy, these multinationals are poised to dramatically beef up their R&D capabilities in developing nations.

While I am happy that Western CEOs are finally [putting their money where their market mouth is](#) by broadening their R&D footprint in emerging nations, I worry that they may not be investing in the right R&D model, and particularly not in the appropriate talent mix. Let me elaborate a bit.

In recent years, I have visited dozens of R&D labs of multinationals in India that are staffed with brilliant engineers and scientists, many of whom have PhDs in technical fields. They all represent version 1.0 of the global R&D model, still in practice, in which MNCs use low-cost but high-quality technical talent in emerging markets to crank out products and services that either get exported back to developed markets or are targeted to middle-class buyers in local markets.

But this 1.0 model will no longer be appropriate if MNCs like GE wish to cater their offerings to the 5 billion people who form the middle and the [bottom of the economic pyramid](#) in places like India, Brazil, and South Africa. Indeed, to effectively identify and address the explicit and unmet needs of the broader consumer base in emerging markets, I believe MNCs must adopt a new global innovation model. Let's call it global R&D 2.0.

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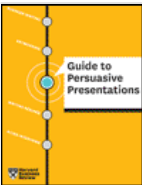
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This global R&D 2.0 strategy calls for a talent recalibration in MNCs' R&D labs in emerging markets. I suggest that multinationals, besides employing technically-oriented engineers and scientists, begin to staff their R&D units in developing nations like India with two other types of experts, namely:



seeking a job change, this guide will help ensure that your next move is the right one.

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**Anthropologists and ethnographers.** By having anthropologists study and interact with end-customers in their natural settings, Western firms can learn to tailor their business models and offerings to match users' socio-economic and cultural context. For example, Intel's **People and Practices Research (PaPR)** employs sociologists and ethnographers who spend months in emerging markets embedded in grassroots communities to identify the latent needs of local consumers. **Dr Genevieve Bell**, one of PaPR's anthropologists, traveled extensively across China and India observing people in their homes to find out how they use and what they want from technology. Her ethnographic insights shaped Intel's groundbreaking pricing models and partnership strategies for Chinese consumer market.

**Development economists.** Since the 5 billion people who form the middle and the bottom of economic pyramid earn very low incomes, they can't afford the expensive goods and services designed for (upper) middle-class consumers. Multinationals are reacting to this market reality by having their local R&D engineers design trimmed-down, low-end versions of their high-end products. But that's not enough. To effectively lure low-income buyers into procuring their low-end goods and services, multinationals need the help of development economists who can concoct creative pricing and financing mechanisms, such as microcredit schemes. For instance, Whirlpool is working with development economists at **RTI International** and the University of North Carolina to create new microfinance models that will enable Whirlpool to cost-effectively commercialize its appliances to millions of low-income households within emerging markets like India and Mexico.

To effectively carry out their global R&D 2.0 strategy, CEOs of multinationals must give themselves a target of staffing at least 40% of their R&D labs in emerging markets with sociologists and micro-economists by 2015. To promptly achieve this goal, MNCs need to cast their recruitment net a bit wider. In India, for example, in addition to hiring the cream of engineering students from the **Indian Institutes of Technology (IITs)**, MNCs' local HR directors should also recruit bright graduates from reputed social sciences institutions like **Jawaharlal Nehru University (JNU)** in New Delhi.

Goldman Sachs **predicts that the bulk of the global economic growth** over the next three decades will occur in emerging markets like India, China, and Brazil. But multinationals can't capture this explosive growth unless they first upgrade their technically-skewed innovation model to a multidisciplinary R&D approach.

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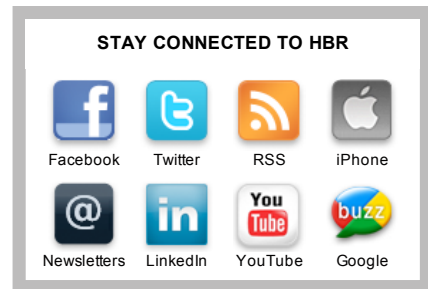
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**Clyde** 8 months ago

Other than nomenclature changing, the model is as old as free enterprise (i.e., discover what the market will bear and design to that market). Perhaps I missed the article's epiphany.

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**Georgina Thomas** 1 year ago

Investments in R & D for innovative products that targets the lower segment of the pyramid is definitely the direction or so to say the tipping point is towards this direction. Be it the Tata Nano car for the mass market in India or the approach adopted by Nokia on market penetration of mobile phones in India; however another key components would be looking at ways and means to improve the ways of living of consumers in the lower end of the pyramid. This will further broaden the market base.

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**Vinay Rao** 1 year ago

This will at best, remain another academic view. The reality is that companies are cutting costs where they have seen no direct value over the last 2~3 years. That means that some of the organisations, even the big ones, mentioned in this discussion thread, have let go of their anthropology/ research teams.

This is not my view. I've heard companies say that Applied Anthropologists seem nice to have when you are entering a new market. But the benefits don't seem to be quantifiably superior, in comparison to doing some basic depth research by the design and technical teams.

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**KL** 1 year ago



As much as Dr Genevieve Bell is incredibly insightful and very important to that company Intel, she is not a part of the PaPR group. She is part of the Digital Home Intel initiative group last I heard.

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**Gibbs Barrow** 1 year ago

I agree with Navi Radjou that the technically skewed innovation model is not appropriate for emerging markets. However, I would go a step further to say that this model is not and has not been appropriate for developed markets. As a product researcher, I have seen many products produced by these so called R&D teams fail because a market did not exist for the product or the product was ill-suited for the target customer. Do not get me wrong. I think that R&D teams can accomplish great things. I have seen R&D teams produce very clever and elegant designs and technologies but R&D teams should not work in a vacuum. The trendy works spaces of R&D teams is often missing an important ingredient: customers. As Radjou states, R&D teams should not only consist of engineers and scientists but also professionals who are well versed in the process of observing and understanding people and the contexts in which they live and work. These "people" professionals should begin their research before the scientists and engineers so that the design and technical work is framed by the needs of the customer and not by the needs of scientists and engineers who are working in a vacuum.

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**Rajesh Naik** 1 year ago

I feel innovation happens on two fronts 1, technology 2 , customer experience

Technology innovation has stagnated on some mature products or appliances , what companies can do now is to focus on the customer experience and increase the life cycle of the products and create additional revenue streams.so Anthropologists play very important role in this context .

I just came back from India and noticed a very interesting application of Blood pressure monitor at one of the pharmacy stores . BP monitors which is well above 100\$ is still unaffordable to major of Indian middle class population to own one . Understanding this as well people getting more health conscious The pharmacy has placed BP Monitor at its entrance (similar to a STD phone booth ) and any one can pay Rs 10 and check the BP and take printout and store it with them . The pharmacy understands the customer

well more than the company who makes the BP monitor and is able to innovate ..

Imagine this being scaled up to offering much more services (ecg service, basic health checkups ) will remove much of the load from limited and inefficient Health care service in india . It could be the next big thing since Sam pitorda invented the STD booth, created Jobs

as well made people across India communicate with each other.

Rajesh Naik

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**John Landry** 1 year ago

For a related HBR article by another anthropologist at Intel, go here:

<http://hbr.harvardbusiness.org/2009/03/ethnographic-research-a-key-to-strategy/ar/1>

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**WM** 1 year ago

Actually Nokia has been doing this for years which sort of explains why they still manage to come up with little innovative features for their low cost phones in the emerging markets. One recent example is the Nokia Life Tools application that enables Indian farmers to get the 'real-time' price of commodities, e.g. rice, from the market which can be far away. One of their travelling anthropologists has published

some of his observations in a personal blog: [www.janchipchase.com](http://www.janchipchase.com)

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**John Landry** 1 year ago

For more on the usefulness of ethnographers in product development for developing countries, see this recent HBR article by another anthropologist at Intel.

<http://hbr.harvardbusiness.org/2009/03/ethnographic-research-a-key-to-strategy/ar/1>

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**Fred H Schlegel** 1 year ago

I wonder if a supsize budget won't make it more difficult to attack the needs of poorer markets. The entire thought process feels a bit backwards. Although, the idea of including folks who might have a grip on the particular challenges of those markets might help.

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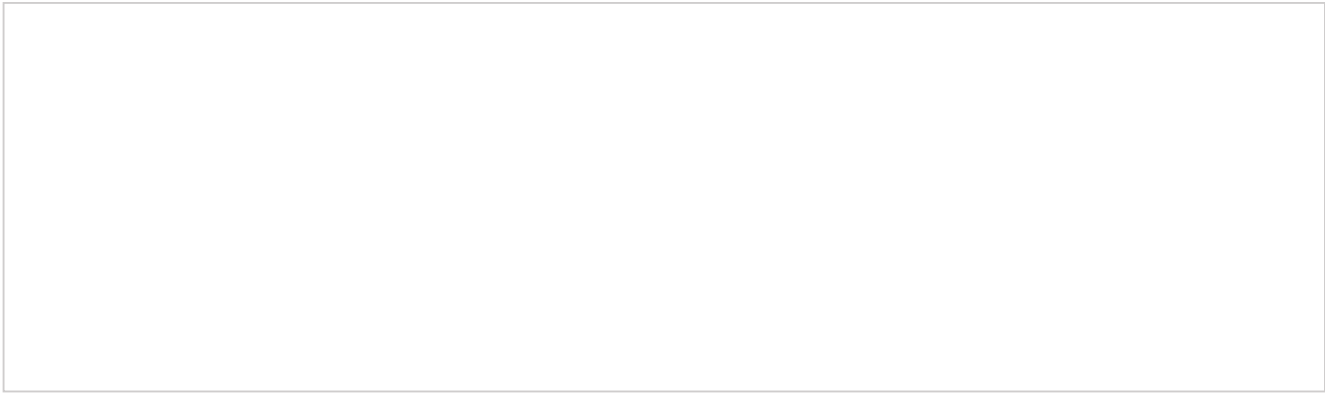
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