



Hot topic
question

Innovation

The street is also a real-world laboratory for the financial sector

Navi Radjou

Co-author of the global bestseller
'Jugaad Innovation: Think Frugal, Be
Flexible, Generate Breakthrough Growth.'



Navi Radjou

Navi Radjou is a French citizen born in the former French territory of Pondicherry in India. Based now in Palo Alto, Silicon Valley, he is a strategy advisor on innovation and leadership, a best-selling book author, and a Fellow at Cambridge University's Judge Business School. In the past, Navi has also occupied eminent positions such as vice-president at Forrester Research in Boston and San Francisco and as member of the World Economic Forum. Navi is a graduate of Ecole Centrale Paris.

Navi's expertise covers business innovation, but he has devoted himself more specifically to frugal innovation—or Jugaad—that is practised by resourceful entrepreneurs in developing countries and has explored this field in his best-selling book 'Jugaad Innovation'.

Today, Navi Radjou's reputation has spread worldwide, through the many awards he has received (including the 2013 Thinkers50 Innovation Award), his participation in high-profile events and his interviews in top-tier newspapers.



Deloitte: How can the concept of 'jugaad' impact the world of finance?

Navi Radjou

Jugaad is practised today by millions of entrepreneurs in emerging markets such as India, Africa and Brazil that face huge complexity and severe resource constraints. These constraints, whether due to a lack of resources, complex regulations or insufficient infrastructure, create an atmosphere of adversity. Adversity is the mother of invention.

In this difficult environment, people are pushed to innovate just to survive. But they tend to innovate differently. Rather than relying on large research and development laboratories as we do in the West, people in India and Africa are using their innate ingenuity to create a pragmatic solution, a practice generally referred to as 'Système D' in France or 'jugaad' in India. Jugaad entrepreneurs live in close contact with their potential customers, directly in the streets. The street is a real-world laboratory where entrepreneurs identify needs and try to find solutions.

In India, the 'jugaad vehicles' often found in the countryside are makeshift vehicles assembled out of a carriage and an agricultural water pump reconditioned as an engine, for less than €1,000. They are very simple and do not exceed 60 km/h, but have the capacity to transport up to 20 people from villages to cities and operate in all weather conditions and terrain. As such, they meet very well the needs of the local rural population and at a very low cost.

Jugaad is therefore a frugal approach to innovation requiring few resources, as well as being agile in that the jugaad innovator needs to constantly adapt to rapidly evolving customer needs. It is also an inclusive approach for two reasons: first because it includes the final consumer in the co-creation of value and, second, it also includes economically marginalised segments of the population while generating reasonable profits, demonstrating that jugaad is a profitable business model.

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Inspired by the frugal, flexible and inclusive mindset of jugaad innovators, some large corporations such as Orange have now provided innovative solutions that financial institutions would be inspired to follow. For example, Orange money or 'M-pesa' (introduced by Vodafone in Kenya) allows people to send and receive money as well as lend or donate money to friends and families, pay bills and provide access to dedicated services. This has revolutionised the lives of millions of people in Africa. Africa is going to teach us in the West how to offer financial solutions that are affordable and inclusive.

Deloitte: Should financial institutions feel concerned by these populations?

Navi Radjou

Absolutely! Because financial exclusion is not limited to poorer countries. For example, in the United States, over 70 million Americans or one quarter of the population are underserved by the traditional financial institutions, while for the year 2012 alone, these same Americans spent nearly US\$90 billion in interest and fees! This means that the concept of financial exclusion, which is often associated with developing countries, is becoming a critical issue in industrialised countries too. However, if you are a banking institution and if you apply the jugaad mindset, this financial exclusion issue can also create an opportunity for you.

For instance, American Express has partnered with Walmart to offer prepaid cards. Additionally, tech vendors and start-ups such as PayNearMe, Square and Google Wallet now offer alternative payment solutions either online or by mobile phone and enable people to make e-commerce transactions using cash instead of a credit card.

American Express recently created a 'Financial Innovation Lab' to experiment with new offerings aimed at underserved markets that differ from the traditional products of the bank. This lab will co-create its frugal solutions with end-users. American Express has also set up a venture fund to invest in promising start-ups focused on financial inclusion. I believe many companies will follow this example in the coming years.

Flexible pricing models such as 'Pay as you go' should logically increase in the insurance sector. Take, for instance, the particular example of Progressive, the auto insurer in the U.S. which offers a device, called Snapshot, that is already installed in the vehicles of over 1 million clients to capture their driving habits and dynamically adjust their 'premium' accordingly. There are now about 20 million connected vehicles in the world, and this number should reach 600 million by 2025 and thus the penetration of telematics and pay-as-you-drive car insurance will grow exponentially.

Deloitte: How can companies play a part in this natural evolution?

Navi Radjou

The key challenge is to convince companies to change the way they innovate.

Rather than 'pushing' products to customers, companies must learn to 'pull' needs from customers—by putting themselves in the shoes of consumers. The big danger for large corporations is that they hardly understand that there is a big shift in the consumption values. The Generation Y and Z consumers are individuals who are largely oriented towards digital media and online services and want to engage with brands in a meaningful conversation, not a monologue.

This brings us to a key word: flexibility. Indeed, customers now expect adaptable products and services such as 'Pay as you go' that enable them to get what they want where they want, when they want, at the price they want. I call this trend 'hyper-personalisation'. This new paradigm will challenge companies long used to mass-producing and mass-marketing products.

Deloitte: What are the best practices within companies, in order to stimulate innovation and shift organisations from traditional to innovative?

Navi Radjou

There are several possibilities, as each company has a different culture and needs. I like, for example, the innovation structure created by BNP Paribas called 'l'Atelier', which I find quite unique in the world of finance because it focuses on customers' needs and on the consumption habits of today and tomorrow and technology's impact on them.

A good practice is to create an innovation unit which is separate and, if possible, geographically distant from the headquarters so it is possible to experiment with disruptive new business models and breakthrough products and services. But for this type of structure to be sustainable, three factors are absolutely necessary: first, it must be run by a person of high credibility supported by a member of the executive committee, otherwise there is the danger that the innovation cell is not taken seriously by top management and will be subject to criticism about its activity and cost.

The second factor is that the structure must be open to the outside world through partnerships with start-ups, universities and key players in the world of finance. Lastly, as for the choice of location, European groups can choose Silicon Valley, when American and Asian groups should be looking to Europe, why not choose Luxembourg with its geographical position and its exceptional financial institutions and industry?

Deloitte: Does sociology have a place in the modernisation process of a company?

Navi Radjou

I think it is very important for groups that have been around for 100 years or more to understand the evolution of their corporate culture. When you look at the origins of such businesses, all were founded by entrepreneurs demonstrating a jugaad spirit, because they all had to adapt and improvise.

Over time, however, as these companies mature and leaders change, most lose touch with their entrepreneurial roots and the ways in which they

used to be innovative; for most companies it would be good to reconnect with their inventive roots. I believe a company can maintain a 100-year-old culture and still remain innovative today by leveraging modern Internet and mobile technologies to better serve their customers.

Deloitte: What would be the ideal innovation structure for a foreign company in Luxembourg?

Navi Radjou

I think the best solution for a banking or financial company is to have an innovation hub in Luxembourg with an office in two other creative hotspots, such as the Silicon Valley and a city in a developing country like Shanghai or Bangalore in order to maintain the broadest perspective possible.

Several years ago, when I was at Forrester Research, I co-authored a report that ranks countries based on their ability to build innovation linkages with the rest of the world. In that report, we identified several factors encouraging enterprises to invest in innovative projects in a particular country. In this regard, Luxembourg is a highly appealing business destination for innovation. It is an open and welcoming country with a government attentive to welcoming individuals and businesses, through both its legislative and its fiscal frameworks. It is also easy for a company to establish itself in Luxembourg due to the fast-track process, but also thanks to its well-educated and multilingual workforce and its excellent infrastructure quality. As such, Luxembourg is well positioned to integrate itself into emerging 'global innovation networks'.

Deloitte: Is it possible to respect ROI standards during the early stages of the implementation of an innovation structure?

Navi Radjou

When talking about ROI in the context of innovation, we must first define the right performance indicators. When an innovation structure is created, the indicators are necessarily different. In the early years you have to be flexible because at that stage, this type of structure generates much more intangible value—like new knowledge about customers or emerging technologies—than tangible value.



In the first two years the goals should be: year one, being able to identify key issues and opportunities, and in year 2, initiate prototyping and concepts testing of potential solutions while building the business case for how these solutions will positively impact the organisation. Then, during the third year, they could roll out a business model aimed at scaling up the initial solution.

Finally, for the innovation process to work, you need four right 'ingredients': good strategy, good organisation or structure, good culture, and finally, good leadership. As an example, Allianz has set up in its Munich-based Leadership training centre innovative training programmes entitled 'Dialogue in the Dark' and 'Dialogue in Silence'. These are workshops conducted by blind people in the dark and by deaf people in soundproof environments in order to help participants, who are generally senior leaders, to cultivate empathy and enhance their communication skills.

