Disruptive Innovation and Economic Value Creation : A Service Sector Perspective

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Abstract

This paper explored the scope of disruptive and reverse innovation in emerging-market context and economic value creation for a sustainable competitive advantage by companies in the service sector. As a conceptual paper, it draws significantly on innovation literature. Illustrative Indian companies/ brands have maneuvered such skills by redefining the accepted innovation logic and cycle. There is symmetry in economic value creation at intermittent stages of the innovation cycle within a global value delivery network. Innovation-led economic value creation is insignificant of geographical subscription. Theory of economics explains the macro environmental factors defying the logic of straight extension to cross border markets and warrants for dual adaptation or new product invention in the host country. Flow of innovation, with timely intervention, can create economic value, and meet both commercial and societal needs. With a growth in venture capital funding for start-ups and kick start of "Make in India" kind of initiative by the government, this study becomes more pertinent.

Keywords : **disruptive technologies, reverse innovation, dual adaptation, economic value creation**

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No business can exist without doing innovation. There are different definitions given to the term innovation. Innovation seemingly permeates down the economies, from the developer economy (rich or developed nations) to the adopter economy (poor or developing nations). Innovations can be segregated into various types. Some innovations are linear by nature, and some are multidimensional and cyclic. Some are progressive by nature, and some are serendipitous. The one that is on progressive linear fashion brings out different versions of the same product in the same category, and the one which is radical brings out a new category from an existing one. Thus, one is sustaining and the other disruptive. Innovation is constant improvisation over the previous form. However, in each and every stage of an innovation-diffusion, economic value creation plays the mediator role. The economic value creation in different contexts may mean differently. Thus, it makes innovation more challenging to stay relevant to the market and consumers.

In the era of globalization, within a time constrained competitive environment, it becomes imperative to define the cycles of innovation more appropriately than ever before. The substantial economic value creation over and

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above that is done by the competitors comes off as a decisive factor for success of a product, or service offering, or brand. The unique feature of the product, the process, or the business model works as differentiator(s) for the company, giving an edge over its competitors. The sustainability of such unique competence, whether drawn from its resources or otherwise, creates a unique opportunity for a firm - known as the competitive advantage. However, resources being scarce, must be used judiciously. More resources at disposal of a firm may not guarantee more success ; rather, a reduced time lag between expenditure outflow and revenue inflow is important. A firm can innovate and engage in multiplying its limited resources creatively for strategically leveraging from existing resources and networks. In service sector enterprises, however, innovation is much sought after in the process and business model rather than in the final outcome or the offering. This is because of the pragmatic difference existing between high-tech industry and high-touch industry.

Research Gap

In the report titled *'Innovation in India'* submitted to National Knowledge Commission (NKC), Kolaskar, Anand, and Goswami (2007) defined innovation as a process by which varying degrees of measurable value enhancement is planned and achieved, in any commercial activity. Such a process may be breakthrough or incremental ; systematic or sporadic ; achieved by introducing new or improved goods or services ; and/or implementing new or improved operational processes ; and/or implementing new or improved organizational/ managerial processes to improve market share, competitiveness, and quality ; and to reduce costs. Few gaps were identified in the availability and substantiality of literature in the domain of innovation in the services sector in India.

Gupta (2009), in her seminal paper, reported that the Goldman Sachs report of 2003 had predictions for India's GDP to overtake that of France & Italy by 2020 ; that of Germany, UK, & Russia by 2025 ; and of Japan by 2035.

Services sector being a critical driver of Indian economy for last few decades, demands an attention of researchers to this effect. As per the NKC Report, innovations in new products, new processes, and new services have helped SMEs (small and medium enterprises) gain higher market share, better competitiveness, more profitability, and reduced cost structures. This also applies on home-grown startups whether or not venture capital funded, who have been able to successfully compete against international firms and brands. The 'innovation intensity' (% of revenue derived from products/ services which are less than 3 years old) has been growing at a faster rate in case of SMEs than in case of large firms. Three types of innovation, as reported by NKC, could be in the area of new products, new processes, and new services. Service firms in startups and SME categories have higher innovativeness to introduce 'new to world' innovations.

Objectives of the Study

India is rapidly becoming a global hub of low cost innovation, and manufacturing of even high value products and business solutions. This paper is a critical review of Indian firms in services sector and their strategic intent, and suggests few measures to strengthen the position of such firms. The broad objectives can be outlined as :

- To understand the macro-economic cross border aspects of innovation flow to and from emerging economies,
- To explore the modus operandi of services sector firms in India amidst changing ecosystem of entrepreneurial ventures by startups/ SMEs, for example, new services/ processes, new business models,
- To understand the nature and trend of innovation, usually adopted by such firms, for example, disruptive business model,
- To explore underneath reasons thereof creation and/ or enhancement of economic value & networks by such firms.

Literature Review

(1) Innovation : To discuss strategy for getting a business, creating a standard, leveraging a business, and crushing competition, Microsoft's innovation in Operating Systems (OS) is exemplary. It explains how commercialization of an invention can be an innovation. An innovation is (a) incremental (regular) if it conserves the manufacturers' existing technological and market capabilities - it involves seemingly small changes that could easily be handled by own capabilities of a firm ; (b) niche if it conserves technological capabilities, but obsoletes market capabilities; (c) radical (revolutionary) if it obsoletes technological capabilities, but enhances market capabilities; and (d) architectural if both technological and market capabilities become obsolete (Henderson & Clark, 1990). If the innovation enhances both component and architectural knowledge, it is incremental; if it destroys both, it is radical ; if only architectural is destroyed, then the innovation is architectural ; where only component knowledge is destroyed (for one or more components), the innovation is modular.

As suggested by Abernathy and Clark (1985), there are actually two kinds of knowledge that underpin an innovation: technological and market. Hippel (1986) stressed on two sources of innovation: functional and circumstantial. Through functional relationships, firms and individuals derive benefits from innovation (e.g. customer or manufacturer), while circumstantial sources bring beneficial circumstances emanating from planned firm activities, serendipity, and creative destruction. The two types of innovations are : sustaining, that improves performance of established products ; meets demands of mainstream customers in major markets ; varies in difficulty, cost, time, and so forth ; and it is usually followed by established firms ; and disruptive (that generally underperforms established products in mainstream markets ; has new features that fringe / new customers value ; is cheaper, simpler, smaller, more convenient to use ; and is usually followed by entrant firms).

Rarely driven by demand, the radical innovations are disruptive to both consumers and producers, and they instead, result from a supply - push process originating from those responsible for developing new technologies (Markides & Geroski, 2005). Henderson and Clark (1990) categorized modular vs. architectural innovations ; Markides (1997) categorized sustaining vs. disruptive technologies ; and Gilbert (2001) categorized threat vs opportunity framing which is based on prospect theory and risk framing by Kahnemann and Tversky (1979, 1984).Usefulness of a product at a customer or business client's end will decide a company's competitive advantage. Competitors will always be ready to challenge and compel a company to search for a competitive position that cannot be imitated easily.

(2) Discontinuous and Disruptive Innovation : An innovation which creates a discrete and momentous shift related to a firm's competence base or network is known as discontinuous innovation. Such a shift, as per Hamilton and Singh (1992), is created by new technologies, business models, or regulatory modifications ; and is a major change resulting in the creation of a substitute technology for a particular industry's products or processes. Some examples of discontinuous innovation with regard to competence base and value creation can be digital imaging over analog photography, mobile telephony over pager messaging, and so forth.

Henderson (1993) stated that there is a chance of established companies becoming vulnerable, as their attempts to develop significantly new technologies may be often less productive than when entrant firms try to do so when technologies shift or new business models are introduced. Companies lose market share when they fail to cope up with those changes. The existing pattern of a competent firm gets disturbed, and they encounter problems when their technologies are interrupted with discontinuous change; the reason behind may be that their technologies, which tend to evolve along a definite arc, are introduced with a fresh trajectory by a new entrant (Dosi, 1982).

Arrow (1962) asserted that with strong market position, business organizations have low incentives to invest in innovation schemes. Reinganum (1983, 1984) cited the reason behind this to be the lesser interest of the incumbents to dismantle their revenue inflow and take up new ventures that may turn out to be vague. Thus, Western MNCs have inertia to continue their usual modus operandi. Disruptive technologies bring out

innovations on existing products, offer cheaper but more convenient products and services, specifically designed to appeal to new, less-demanding, and at times, marginalized customers. As per Hart and Christensen (2002), while sustaining technologies cultivate enhancing the performance of products; disruptive technologies change industries in the long run.

Bower and Christensen (1995) coined the term 'disruptive' to specify how new technology improves product characteristics by responding to unattended needs and values ignored by consumers. Disruptive innovations aim at selling new things to new customers in new markets and disrupting the existing market as well as the value set ultimately. Disruptive ideas can bring about great changes in supply chain, value chain, suppliers, market, and so forth. Superior technologies of an existing market are taken and outshined by new technologies to further widen the use by comprising products and business models. Examples of such a change can be - online businesses; discount department stores; point-to-point airlines; mass-market products (Christensen & Raynor, 2003 ; Markides , 1997). Sustaining innovation improves performance of established products ; meets demands of mainstream customers in major markets ; varies in difficulty, cost, time, etc.; and is usually followed by established firms. However, disruptive innovation generally underperforms established products in mainstream markets; has new features that fringe new customers' value; is cheaper, simpler, smaller, more convenient to use, and is usually followed by entrant firms; creates a kind of positive disruption & offers cheaper, simpler, more convenient products or services, specifically designed to appeal to new, less-demanding, and at times, marginalized customers.

Charitou and Markides (2003) stated that finding a primarily different business model in an existing business is business-model innovation. Responses like 'disrupt-the-disruptor' can come from firms for creating disruptive business-model innovations (first mover advantage) as mentioned by Markides and Charitou (2004), Markides (1997), and Porter (1985), or the business has a crisis or is trying to rise up with a new product (Markides & Geroski, 2005).The different kinds of disruptive innovations: technological, business model, and new-to-the-world product innovations can be clearly distinguished (Markides, 2006). Christensen and Raynor (2003) suggested that low end disruptions present lower performance at a cheaper price ; while, high-end disruptions provide better performance based on features different from those valued by typical customers.

(3) Reverse Innovation : Through adaptation, developing economies get introduced to global innovation that comes from developed economies. However, the developing economies, through the process of integration, contribute back the reverse innovation to the developed economies. Because of low budget pressure, short development time, and short product life cycle, it can also be considered as lean innovation. During such an innovation, the resources are managed based on the local market which holds the responsibility of profit and gain and decision power. The moment the products prove to be successful in the emerging economies, they are considered for global markets with the objective to link pioneering, set up lower price points, bring in essential applications, and also utilize innovation to take in products with higher margins in developed economies. For this, the local growth team has to unfreeze the conventional practices inherited during glocalization. Access to important knowledge resources, technology of the parent company, and so forth are essential requisites for bringing down the risk and cost during development of such innovations. An Electro-cardio machine in the U.S. was seven to eight times the cost at which it was invented by doctors in India. It was also with much portability and convenience to use. With low cost solutions for customers, GE had created a new market in the healthcare sector in India, which later went on to expand across the globe.

(4) Core Competency and Sustainable Competitive Advantage : As per Prahalad and Hamel (1990), core competencies significantly contribute to the end product benefits and provide access to a wide variety of markets, making the duplication difficult for competitors. Competitive advantage of a firm can be implicit strategic capacity, collective learning, coordination skills ; thus enabling the company to launch new range of goods and

services. For deciding future plans, the firms find it difficult to analyze and utilize the concept of core competencies, which are a collection of communal learning. The ability of a firm to effectively identify, raise, expand, upgrade, and deploy its levels of competencies in order to gain sustainable competitive advantage is termed as critical competence. It is the ability of firms to work up on their strategic architecture for obtaining a sustainable competitive advantage.

As stated by Dharani Priya and Jabarethina (2016), sustainable competitive advantage helps firms get a competitive position through long-term growth by creating stronger brands ; providing greater pricing power and operational efficiencies ; increased customer loyalty ; and enhanced ability to attract, retain, and motivate employees. Business and its key activities, important measures for generating success, value chain, and many other aspects of firms can be identified through core competencies. Core competencies can create a sustainable competitive advantage being valuable, rare, inimitable, & non-substitutable (Barney, 1991, 1996). The ability of a firm to favorably distinguish itself from its competitors from the customer's perspective is known as competitive advantage. As per the view of economists, when a firm earns higher rates of profitability than its rival players, it is said to have a competitive advantage over others. Competitive advantage depends upon factors like creating firm value through the cost side, and creating firm value through the demand or product differentiation side. Cost advantage is related to lowering costs relative to peer competitors and creating value on the cost side. By lowering the cost structures too, competitive advantage can be achieved. Differentiation advantage can be achieved by creating value through vertical or horizontal differentiation on the demand side comparative to competitors. During earlier days, only those firms could get a competitive advantage which were able to strengthen themselves as per the opportunities in the market and directed their strategies accordingly towards the external environment (Barney, 1991 ; Porter, 1985).Considering that firms are a set of assets and capacities grouped together with competitive advantage lying in the internal resources, Barney (1991) ; Dierickx and Cool (1989) ; Dosi, Freeman, Nelson, Silverberg, and Soete (1988) ; Mahoney and Pandian (1992); Wernerfelt (1984) ; and (Winter, 1987) suggested that a firm's different resources get collected over a period of time ; thus, giving rise to competitive advantage (from heterogeneity).

Competitive advantage is derived from unique knowledge, which comes with the collection of a firm's distinctive set of resources, capabilities, and skills in due course of time, which also act as a guiding force for the formulation of future strategies as stated by Spender (1993). As per Lazarus, Krishna, and Dhaka (2014), co-creation capabilities built between consumers and firms can help competitive advantage of a firm and can help it to achieve mutual and long-term betterment.

(5) Innovation Ecosystem : Many small and startup firms in emerging economies of late have started challenging established MNCs through a process of disruption. In India, the instances are many. Disruptive innovation of Nirma could offer effective detergent powder at an affordable price challenging Hindustan Lever Limited; Kevin & Care's Chik shampoo sachet priced at 50 paisa could capture both rural and urban users and gave fierce competition to Clinic Plus and Head & Shoulder brands of MNCs. Godrej's ChotuKool refrigerator at less than ₹ 4,000 was not only a commercially disruptive innovation, but also a social one. Prahalad (2004), in his seminal work, *Fortune at the Bottom of the Pyramid* (BOP), discussed how to make profit by serving the poorest people in the world with the adoption of revolutionary business models and product/service configurations.

We propose a framework in the Figure 1 to elucidate all sorts of innovations, and related economic value creations in home and host countries by various firms. It depicts both incremental and radical innovations in the same product category, as well as disruptive innovations that bring out a new product category. Value set A is incrementally offered as Value set A1, A2, and so forth in subsequence. Value set A is disrupted by value set B in the same home country market in West. Similarly, A' offered as A'1, A'2, etc. and disrupted by B' in the host country market in the East. The innovations give rise to different value sets of different versions of the product category offered to different market segments. Such innovations flow through the route of glocalization from

Figure 1. Innovation Ecosystem (From West to East & Back)

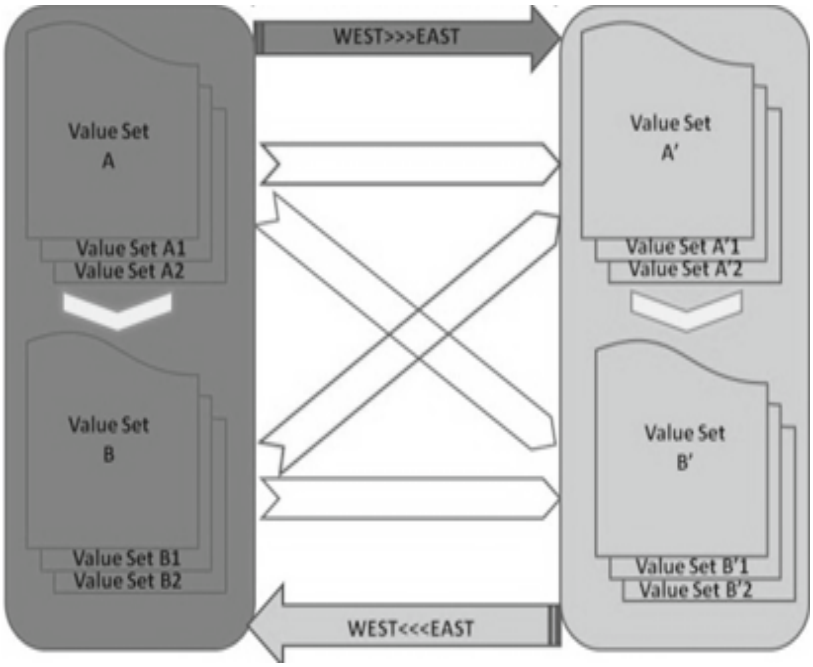


Figure 2. Innovation Ecosystem (From West to East & Back)

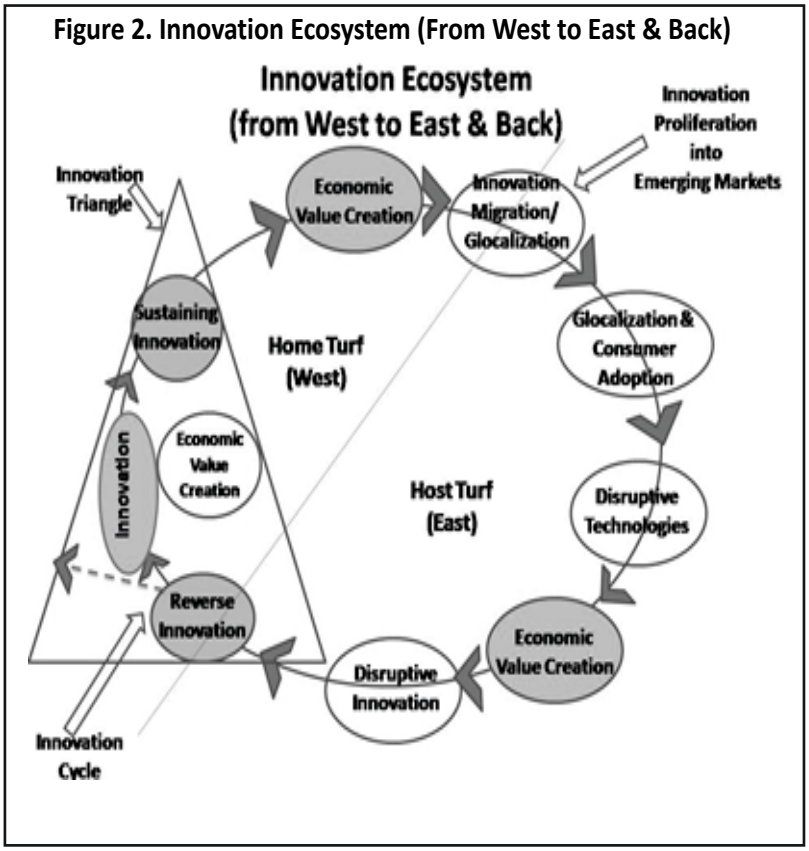
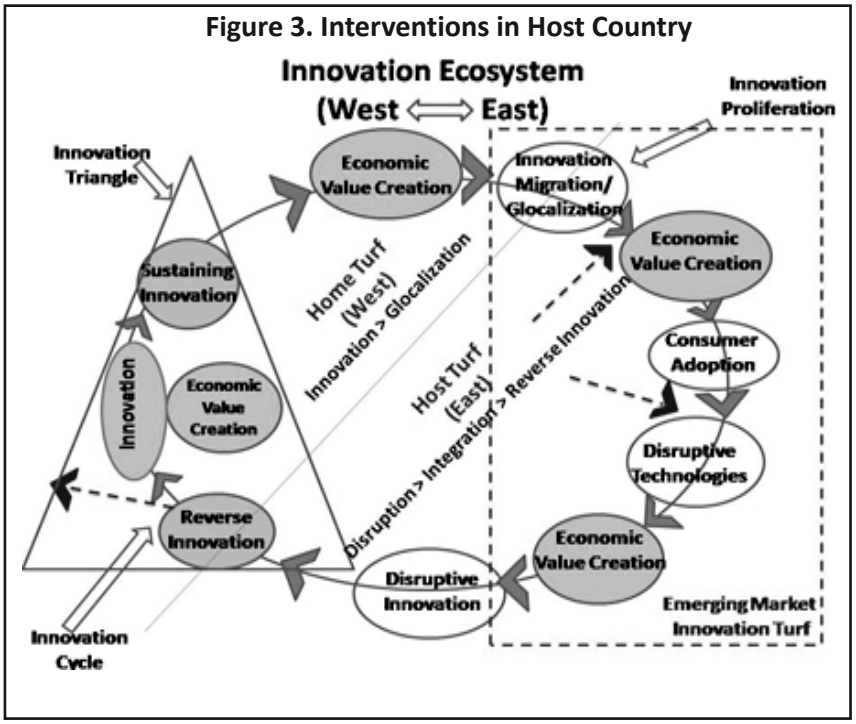


Figure 3. Interventions in Host Country



home country to host countries, that is, West to East countries. The principle of reverse innovation has been shown in the flow of innovation from East to West, that is, emerging or developing countries to developed countries.

The innovation ecosystem in the world, as proposed by us in the Figure 2, is in a cyclic fashion. The innovation triangle in the home country turf in the West creates economic value for its own market and consumers, which continues as sustaining innovation. If the firm follows glocalization to extend the innovation towards East through specific value creation in the target countries in East, the innovation cycle gets completed when the reverse innovation flows back to the source country as the country of origin of the fundamental innovation. The cyclic progression shows intermittent value creation from time to time for various target markets and consumers. Social characteristics that promote innovation and success at a commercial level are those societies which: operate, manage, and build instruments of production ; create, adapt, and master new technologies ; impart expertise and knowledge to the young ; choose people for jobs by competence and relative merit ; promote and demote on the basis of performance ; encourage initiative, competition, and emulation ; let people enjoy and employ the fruits of their labor, enterprise, and creativity.

There exists a difference between low-end disruptions and new market disruptions as stated by Christensen and Raynor (2003). Disruptive innovations that evolve at the lower segments of the market have a business model that allows a company to provide products at a cheaper price, but inferior performance are known as low-end disruptive innovations. Disruptive innovations that flourish among customers who were not been attended previously is known as new-market disruptive innovations. These concepts were further explained by Schmidt and Druehl (2008) with classification under two categories, that is, emerging either in fringe markets or in more detached markets.

The underlying assumptions in the framework proposed by us in the Figure 3 on World Innovation Ecosystem is that there is abundant scope and opportunities of economic value creations at different stages of the innovation cycle, irrespective of the direction of innovation flow. However, the paper explains how a regional/ local firm can leverage from its experience and embeddedness in emerging markets to build sustainable competitive advantage vis-a-vis a Western MNC who is extending glocalization-led competition to it. The economic value creation

applicable in such context is shown as interventions a local/ regional firm can make in dotted arrows in the Emerging Market Innovation turf, that is, host country of Eastern emerging economies. The concept of economic value creation is explained through illustrations in an Indian context subsequently.

(6) Innovation-Led Value Creation : Economic liberalization through technological change has enabled the firms of emerging economies to utilize local and global assets for making innovations for local markets (Friedman, 2005 ; Ramamurti, 2009 ; Williamson & Zeng, 2009). Value is measured by product's performance and its attributes for which customers are willing to pay; created by exploiting core competencies or competitive advantage as the product moves through raw materials to finished product. Value created is sum of consumer and producer surplus. Competitive advantage is drawn by a firm by creating value more than that of its competitors. Consumer surplus is the difference between the maximum the consumer is willing to pay (monetary value of the perceived benefit) and the prevailing market price. Economic value is created through a transformation process when some input resources that have a value of ₹ X in their next best utilization are transformed into outputs for which customers are willing to pay ₹ X + ₹Y , that is, value of amount of ₹ Y is created. Total Value Created (TVC) is the difference between customer willingness to pay (CWP) and supplier opportunity cost (SOC). SOC is the minimum amount of money the suppliers are willing to accept to provide a firm with the needed resources; Firm Cost (FC) is the actual amount of money the firm disbursed to acquire the resources needed to create its product or service; and CWP is the maximum amount of money the firm's customers are willing to spend in order to obtain the firm's product.

The most elegantly engineered and technically beautiful product is valueless unless a customer is willing to pay for it, and hence, value is generated when customers are willing to pay to acquire whatever the firm has created. Value appropriation is the process by which the total value created in the transaction is allocated amongst the entities who contributed to creating it. Added value is a measure of its competitive advantage and it measures the extent to which the firm is able to do something unique and valuable.

Thus, two ways to create new value are by:

(i) Increasing customer willingness to pay (Doing something of value for customers, investing incremental resources to increase CWP by a larger amount), &

(ii) Decreasing supplier opportunity cost (Creating incentives for suppliers to supply the firm with needed resources for less money).

A firm can increase consumer surplus by increasing the perceived benefit or by lowering the price. Consumer surplus is said to have occurred when the use value exceeds the exchange value. Customer's incentive to buy may be considered as the difference between the value and the price (Anderson & Narus, 1998).Value is context dependent and may be created in different ways. But value creation is not equivalent to value appropriation as creation of a new value may give rise to unwanted value distribution as per the research of Björkdahl (2007).Value, being subjective, has tradeoffs between benefits and sacrifices which are both perceived and are context-dependent.

There may be many questions posed at the innovation concept. Addressing such queries, Ghemawat (2001) suggested that the distance (cultural, administrative, geographic, and economic) between the rich and poor nations makes innovation necessary (especially in emerging markets). Nelson (1993) and Porter (1990) emphasized on understanding the types of innovations that the emerging markets are set to make. The poor countries need access to products that would offer better price-performance features, create scope for affordability innovation, and so forth (Khanna, Palepu, & Sinha, 2005). This leads to improved business model designing necessary for emerging markets. Hippel (1986) stated that being lead users, they become early adopters of progressive innovations that hold challenging standards but may not be price sensitive at the same time. Other

companies may work with them with an objective to introduce new products or services that, at a later stage, can be offered to the mainstream consumers. An innovation that brings in an entirely different set of characteristics, outcome, and pricing attributes comparative to the existing product, an unappealing amalgamation for conventional customers (during product introduction) due to poor performance on the traits of such customer value can be considered as disruptive innovation (Govindarajan & Kopalle, 2006a). Due to the decreasing marginal utility related to additional upgrading of the sustaining technology, technology gets displaced (Adner, 2002).

Suggesting that a disruptive technology flourishes at the low-end segments or in new markets before invading the mainstream market,Christensen (1997) elucidated the prototype of disruption on the basis of different customer segments.

Operating in emerging economies, MNC's have usually supplied to those markets that adopted glocalization approach(in market segmentation), thereby serving local needs with global products to consumers, corresponding and sharing attributes matching to those in the parent country(developed economies). Christensen (1997) and Christensen and Raynor (2003) asserted that firms encounter difficulties while developing or reacting to disruptive innovations because they have smaller market size with lot many requirements to meet the costs for developing a new product.

(7) Business Models, Value, and Networks in Services (Few Indian Stories) : Business model concept focuses on value creation and capture (Chesbrough & Rosenbloom, 2002) ; interactive and holistic nature of businesses (Zott & Amit, 2009) with mutually dependent activities spreading beyond span of focal firms and their boundaries. Business system and a profit model are two essential components of a business model (Itami & Nishino, 2009). Business models emphasize value creation through interaction with the environment and proper network building. Disruptive innovation occurs at different times to different firms, that take advantage of value networks of other firms to be capable enough to create a new market of their own (Christensen & Raynor, 2003). Hart and Christensen (2002) and Hang, Chen, and Subramian (2010) argued that the emerging economies can't just be served by innovations or something just more than glocal products. Similarly, Bower and Christensen (1995) ; Christensen and Raynor (2003) ; and Walsh, Kirchhoff, and Newbert (2002) argued that a new entrepreneurial activity or a spinoff company from an existing firm gives rise to a miniature firm, which, in turn, may lead to the formulation of disruptive innovations in emerging economies. In such economies, domestic companies have advantageous cost structure and market orientation to generate disruptive innovations independently, or even at times associating with MNC subsidiaries. The ultimate reality is that : People in small towns seek value; they are not blinded by mere advertising of any company and don't necessarily fancy big brands.

These are few product based examples of disruptive innovations of Indian brands. Business Today reported that by 2020, Maharashtra's GDP will exceed that of Greece, Belgium, and Switzerland. Uttar Pradesh will have a bigger economy than Singapore or Denmark. Dedicated firms for just Maharashtra or Gujarat is realistic and profitable. Various regional brands such as Wagh Bakri, Girnar, and Sapat are highly popular tea brands in Chhattisgarh, Madhya Pradesh, Uttar Pradesh, Jharkhand, and Bihar. Wagh Bakri is a brand of Gujarat Tea Processors & Packers, and had 50% market share in Gujarat and 7% in the country, with a presence in more than seven states.

MNCs like HUL launched 'Ruby' in Karnataka & Brooke Bond Sehatmand to counter Wagh Bakri. Sosyo is a beverage / soft drinks brand from Gujarat, which is now trying to enter the U.S. & the UK markets. Similarly, Havmor- an ice cream brand from Gujarat, Mapro- fruit products from Maharashtra, Kalimark's soft drink brand 'Bovonto' from Tamil Nadu (charges premium to Pepsi & Coke!), Shakthi masala from Tamil Nadu, Himgange-herbal products of G K Burman Herbal of Uttarakhand, and KP Namboodiri's Oral care from Kerala, etc. are extremely successful regional brands when compared to their MNC counterparts. Vi-John is a three decade old ₹ 500 crores group company/ brand, headed by Mr. Harshit Kochar- a third-generation family member and

Director. It offers a good value for money to barbers/ consumers, and is the largest selling shaving cream in India. Though a low profile Indian brand in the ₹ 350 crores male grooming market, it is a successful brand in basic category vis-à-vis the sophisticated Axe & Gillette. According to Nielsen's Report, Vi-John sells more than twice of units sold by Gillette. Similarly, Jyothi laboratory (Ujala Blue fame) holds 71.6% stake in Henkel India for ₹ 570 crores (a part of Germany's Holding Co. Henkel AG).

It is visible in services sector as well, for example, retailing, airlines, telecom, and so forth. In services, it may involve process innovation, more so than that in products. Process innovation may put more strain on existing organizational structures. Creativity & imagination leads to innovative products and services, which leads to process innovation and then business model innovation. Service innovation is inherently multi-disciplinary. It encompasses knowledge sources to drive innovations from technology, business, demand, and social-organizations. Sustaining innovation is steady, and linear improvement of existing technology ; whereas, disruptive innovation is introduction of completely new approaches that have the potential to create a new industry or transform an existing one. Both these types can be seen in case of the Indian service sector. Possessing resources is different from blending those resources to advantage.

This is what is being done by Aravind Eye Hospitals, Narayan Hrudayalaya, and so forth in the healthcare industry in the service sector; and similarly by Flipkart, Snapdeal, etc. in e-commerce & online shopping. Some more examples of startups in the Indian context are as follows :

(i) LifeSpring Hospitals : A Hyderabad based startup bridges gap between substandard maternity care in public hospitals which is mostly free and incentivized and the ones expensive enough available at private/ corporate hospitals. Comparable to offering of a low cost airline carrier, this venture offers low-cost and high-quality maternity services. In some pockets, it has already captured close to half of the maternity care market. It achieves a desired unit economics in terms of revenue from each hospital in the chain before replicating the model.

(ii) Mirakle Couriers : A Mumbai based self-funded venture employs 63 deaf adults among its workforce while steering clear of investors with a social objective of helping six million deaf people in India. Though it may not be yet profitable, but there was a deliberate strategy by the founder to avoid the problem of too much capital.

(iii) Village Laundry Service (VLS) : A full-service, wash-dry-iron-deliver start-up and is much cheaper than boutique laundry services and is more hygienic than the roadside dhobi services. It is the first incubation by Innosight Ventures in India with an initial investment of $1.5 million in 2007 as stated by its Managing Director, Scott D. Anthony (Anthony, 2013).

(iv) ZipDial : Claims itself to be a leader in mobile marketing through disruptive innovation, powerful results, and insightful analytics for emerging markets. Its product capabilities include coupon redemption tracking, social media integration, increase app downloads, mobile number verification, and follower groups over mobile. Its unique business model uses marketing and analytics platform designed to be suitable for 'missed call' frenzy people ready to hang up for predecided messages from marketers. This internationally expanding company has clients from corporate MNCs to leading political parties.

(v) Innoz : Launched by a group of engineering college dropouts is poised to bring under connected people of India to the fold of Internet through its *SMSGyan*, which allows feature-phone users to access Internet via text messages. It has more than 120 million active users, mostly in India. It's growing rapidly in Africa, and middle-east Asia too.

(vi) Goonj : Intends for a behavioral shift of urban India to take care of the needy through donating their excess

resources. The village and slum communities as beneficiaries self-organize to build schools, roads, and toilet facilities in exchange for clothes, furniture, household goods, and medical supplies. More than 1,500 such projects have been implemented in just three years of time. Victims of natural calamities are also helped.

(vi) Interviewstreet : Has a platform that helps screen and hire programmers through online coding tests and contests, for business giants such as Facebook, Amazon, Morgan Stanley, Zynga, and Walmart among. It helps Indian computer-science students get hot jobs in the Silicon valley.

(vii) Mydentist : A Mumbai and Pune based dental care chain thrives on concepts from organized retail industry. It follows a standard and transparent treatment rate providing efficient care mostly to patients from underprivileged crowd who live in urban slum areas.

These startups may not be targeting the working poor, but they employ workers from lower socioeconomic strata to a great extent. In turn, the employees become their spokespersons to the larger community they come from. This helps the Indian ventures more squarely disrupt their higher-cost Western counterparts.

Now, the question is : if an idea is nurtured and incubated by a company from out of host turf, why can't the same be tried by domestic regional players before anyone else does so! So, the old and established thoughts are too good to be true in today's changing scenario.

Consumer trust and brand image act as key elements for a firm's success in the long term. Regional domestic brands use same distribution channels as others, and are more effective in their ability to serve and fill local needs. They can more closely observe local consumption habits and change by underscoring taste of the products, perfectly cracking the code of regions, taking help from modern retail, and scaling up via an inorganic growth. Consumers within a region or state provide sufficient scale to form dedicated organization for individual region/ state. Many Indian startups today offer unique value propositions to the market, and hence, they get venture funding too. Small companies with good products may have weaknesses like lack of strategy, weak distribution arrangements, good marketing structure, etc.

The service sector economy has emerged as the knowledge economy in India today. Though small regional firms can partner with MNCs' local arms for missing resources, it is better they developed them internally for greater control and bargaining power. They can leverage by a rapid recovery as a resource multiplier through close market contacts and shortening time between expenditure outflow and revenue inflow. In addition, resource allocations can be done either through a separate firm or by strategically allocating resources for disruptive and sustaining initiatives (Chao & Kavadias, 2007 ; Hogan, 2005).

Discussion and Managerial Implications

Business model innovation helps firms build competitive advantage and do strategic positioning by creating new value propositions. For example, for an e-commerce company, three important ingredients of a business model can be value, revenue, and logistic oriented (Mahadevan, 2000). Thus, the need is to understand customer requirements; link it to operational choices & transactions of business ; and include supply chain elements. At times, non-technical business model innovations help similar to those from disruptive technologies, though few authors like Christensen and Raynor (2003), Charitou (2001), Charitou and Markides (2003), and Markides (2006) challenged such an idea. Insights into the business model concept can generate important managerial implications on the principles of symbiotic co-existence. Due to the absence of an environmental perspective in the landscape of disruptive innovation, practicing MNCs often find it good at predicting and describing difficulties, but difficult in finding solutions. However, disruptive innovation, if viewed as a business model challenge, can help develop new managerial solutions for such innovator's dilemma, especially for highly

vertically integrated firms. A firm which depends on the environment for resources can either adapt its internal activities or try to change the environment.

A growing culture of entrepreneurial innovations in India has started challenging existing and established business models by offering higher value proposition. Service sector firms have been offering quality services at low prices. They establish competitive price by creating a rough cost structure, which is made possible by reengineering backward on processes and resources. Moreover, the success of a business model innovation hinges closely on the degree of differentiation and the degree of sustainability that the business model innovation provides to the innovating firm.

Limitations of the Study and the Way Forward

Service sector innovations may not be of high net worth in economic terms, but their economic significance can't be ignored. Indian firms in this sector have lower innovation intensity at present than that in manufacturing. However, the rate at which it is growing can make them highly innovative. Traditionally, Indian firms in the services sector have no established measure towards consistent innovation. This is why they don't earn a higher percentage of revenue from new category of services. However, this does not restrict their scope of bringing innovation to service processes or business models. The current paper, based on secondary literature, gives an overview of the strategy and broadens understanding of the phenomenon. Researchers in the area of economics and business strategy can undertake primary survey based research on such firms and empirically derive the outcome, e.g. impact of disruptive innovation on profitability, cost and/ or competitiveness. It can also be a comparative study of innovation's impact on manufacturing and service sector firms.

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