Call it reverse innovation or bottom of the pyramid, but it sure represents the symptoms of Western and Japanese companies’ confusion on how to tackle the realities of innovation in the globalization age. When the developed economies suffered while emerging markets were growing, Western and Japanese companies realized that they carried innovation in the wrong direction. Can they go back? What are the challenges they face?

Innovations, over the millennia, have driven us to where we are today. Gaining prominence in the wake of industrial revolution in 18th and 19th centuries, innovations along with inventions have since paved the way for the growth of business. Invention of the steam engine, led to innovative ways of mechanized transportation. Inventions in telecommunications and computer industries and many innovative products and services led to vast changes in the way we live, communicate, and conduct business. Basically, behind any major industry that we see around us today are chronicles of inventions and innovations.

Academics argue that innovations were the ones that helped nations develop as major economic powers. As strategy guru Michael Porter rightly said, “Competitiveness of a nation depends on the capacity of its industry to innovate and improve.” Yet, when we look at some of the well-known innovative nations of our time, such as the US and Japan, and listen to their economic grievances, we feel it inevitable to ask if indeed innovation by itself is a such powerful mean to achieve competitiveness. The sudden emergence of China, which was a Soviet-styled behemoth till 30 years ago and not known for innovations under state planned economy, as the world’s strongest economy is adding further suspicions to the weight given to innovation claim. That innovation lost its orientation as regards its role in promoting competitiveness was recently highlighted by the fact that US government appointed a high-profile team of academics and business executives to find just how to define innovation.

Governments are not the only ones seemingly lost; companies themselves are no different. For a longtime, invention remained the key for innovation and patents carried the flag for innovation. However, when some companies chose to keep technologies a secret rather than file for patents, the measure buckled. While patents still bring large sums of money to companies such as Texas Instruments and General Electric, cross-licensing and simply ignoring patents have diminished the glory of some important patents.

To discover which companies innovate best, and why, BusinessWeek along with Boston Consulting Group interviewed more than 1,000 senior managers. Though their findings are about three years old, they are still relevant. The fact that none of the so-called “innovative” companies were big on patents confirmed the fact that innovation has little to do with technology, or may be even inventions.

Globalization

Indeed, before globalization gathered full steam in the late 1980s and 1990s, it was innovations in technology and manufacturing processes that helped companies to compete. The Japanese companies were the most notable in those decades which saw Toyota, Sony, and a host