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Subversive Innovators in Hybrid Economies

Diego Lanzi

Department of Management and Department of Statistical Sciences, University of Bologna; diego.lanzi@unibo.it

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Abstract: Subversive innovation is generated by behavioural modalities and attitudes that innovators must possess. In this paper, we identify which innovation capabilities sustain *lean-against-the-wind* trajectories of innovation in hybrid economies. This paper explores the concept of subversive innovation within hybrid economies, where commercial and sharing economies coexist. The study delves into the characteristics of hybrid economies, examining the principles of sharing economies and their combination with commercial counterparts. Key challenges in merging these paradigms have been discussed, emphasising the importance of open and contestable common spaces.

The Pirates Dilemma, a game-theoretical scenario, has been introduced to illustrate how piracy, when approached as innovation, can lead to socially optimal outcomes. The paper explores the role of subversive actions in handling inefficiencies within commercial entities and creating new collective spaces.

The resurgence of the Do It Yourself (DIY) philosophy in the context of the Internet Revolution has been explored, highlighting how modern technologies enable shared ownership and value creation within communities. The convergence of DIY, modding, piracy, and sharing has been identified as a fertile ground for subversive innovations.

The paper also examines the role of graffiti, street art, and norms in hybrid economies, emphasising the importance of open and nondiscriminatory access to information networks. The conclusion profiles subversive innovators, drawing parallels between pirates, modders, hackers, and writers who challenge established beliefs and institutions. The study underscores the necessity of subversive innovators in fostering revolutionary changes and preventing the stagnation of discontinuous innovation in culturally-flat, mass-capitalist landscapes.

Keywords: Discontinuous Innovation; Innovation Capabilities; Hybrid Economy

JEL Codes: O31, O35, O36

1. Introduction

Innovation is characterised by processes of "*creative destruction*", the creation of something new that destroys the old rules and establishes new ones (Schumpeter, 1950). Various sources of innovation can be found in product or service innovation, novelty in process, new dimensions of competition, new rules of the game, re-configurations of parts of the process, or changes in context conditions (Tidd *et al.,* 2005).

It has traditionally been recognised that two different types of innovation are complementary: (i) the *steady-state* archetype, and (ii) the *discontinuous* archetype. According to the latter, discontinuity involves (Rice et al., 1998; Bessant, 2008):

- no existence of clear "rules of the game"; these will emerge over time and cannot be predicted in advance;
- need of tolerance for ambiguity given that multiple development trajectories are possible;
- openness and fuzziness which make innovation highly path-independent;
- open-ended operating routines, parallel experimentation and fast failure and learning practices;
- an emphasis on weak ties and peripheral visions which can signal emerging trends and changes; and
- being able to "stick your neck out" as pioneers do.

In short, going beyond boundaries and having the capability to do so is what it's all about. "*We are here to put a dent in the universe*", Steve Jobs once said. But to put it through the dark, as Bessant (2008) stresses,

> *"discontinuities emerge and trigger a fluid phase in which there is an extended search in new and unfamiliar spaces. Under these conditions, existing incumbents and new entrants are equally in the dark (p. 39)".*

In their studies, Hamel (2000), Foster and Kaplan (2002), and Junarsin (2009) examined what elements innovative organisations should possess to have to deal with discontinuous innovation, and with such darkness. Leadership, discontinuity and organisational features are reciprocally intertwined, as Isaken and Tidd (2006) concluded.

Experience has shown that time and market forces often balance interests even in the most prominent cases of disruptive innovation (such as the MPEG 3 protocol and the Napster dispute). Discontinuities, at least those that do not directly conflict with dominant social groups' priorities and profits, are *often* metabolised over time. 'Often', but not always. Here's an example from economic history: Henry Ford's *Hemp Car*, the first car with a body made of hemp fibre and powered by hemp bio-diesel. Indeed, a huge, but ignored, example of an innovative solution for the "*low-emission economy*" was given in 1944.

Therefore, there should exist innovation trajectories of consistent, but discontinuous innovation, as well as subversive innovation trajectories, i.e., *leaning-against-the-wind*, a famous Hirschman's expression (Hirschman, 1958)[1].

The former are "localised", they take place within a particular paradigm (Dosi, 1982). The latter are not.

The purpose of this paper is to profile subversive innovators and discuss behavioural modalities and/or attitudes that they need to possess to generate subversive innovation trajectories. For this purpose, we shall use some examples of "*bad guys*" from recent history such as independent radio builders, pirates, fans of punk philosophy, hackers, modders, and street artists. We will also locate their capabilities in *hybrid economies* where commercial entities profit from networks of subversive innovators while sharing communities create formal organisations to achieve their goals (Benkler, 2006).

The essay is organised as follows. Section 2 briefly outlines the main features of hybrid economies. In Section 3, we discuss the so-called *Pirates Dilemma*, and relate its solution to subversive innovation. Section 4 explains why "being punked" can be fruitful for feeding discontinuity. Finally, in Section 5, we relate subversive innovation to norms-based systems, and to the right to contend new and old spaces. By profiling subversive innovators' capabilities, the last Section concludes.

2. On Hybrid Economies

As a result of the Internet Revolution, two types of economies are likely to coexist in modern economic systems: commercial and sharing economies. Following Benkler (2004), von Hippel (2005), Tapscott and Williams (2006), Lessig (2009) and Pushmann and Rainer (2016), in the next table, the main features of economic paradigms based on sharing and cooperation have been listed. Just to remind that we considered a shareable good that could be jointly produced and used by a group of users (*Read and Write goods*).

Table 1: The Sharing Economy

Sharing Economy Basic Principles
• FREE EXCHANGE NOT MONEY-MEDIATED, BUT BASED ON RECIPROCITY; • SOCIAL AND PEER-TO-PEER RELATIONS ARE THE PRIMARY SOURCE OF INFORMATION ABOUT HOW TO ALLOCATE RESOURCES; • GIFT PHILOSOPHY AS THE CEMENT OF THE COMMUNITY; • IMPORTANT ROLE OF INTRINSIC AND TRANSCENDENT MOTIVATIONS IN GRANTING SELF-INVOLVEMENT IN COMMUNITY ACTIVITIES; • INDEPENDENT, SELF-PRODUCTION OF RESOURCES SHARED WITH A PROJECT-CENTRIC COMMUNITY; • IDENTITY AND CULTURE SUPPORT GROUP LOYALTY, TRUST AND ETHICAL BEHAVIOUR; • INTERPERSONAL COOPERATION IN KNOWLEDGE MANAGEMENT AND PROBLEM SOLVING; • SOCIAL PRODUCTION OF INFORMATION AND KNOWLEDGE FREELY DISTRIBUTED AMONG COMMUNITY MEMBERS (*INTENTIONAL SPILLOVER*).

Sharing economy principles are combined with those of the commercial economy to create a *hybrid*; common spaces and communities generate economic value that can be exploited through markets. Nevertheless, merging the sharing economy with the commercial one is not an easy task. It is important to preserve institutions and community members' culture and identity and to provide opportunities for "sense making communities" to influence product development (Florian *et al.*, 2019). When the common becomes commercial, the *Dilemma of Prosumer* must be handled with care[2]. Allowing users to manipulate a product increases its risk of cannibalisation. Closing the product off from community members hurts reputation and undermines opportunities for innovation.

Furthermore, in hybrid economies, issues of space and rules are paramount. Common or collaborative spaces must be open and contestable, all members should be able to create meaning or redefine rules and modes of behaviour, and there should be no barriers to spillovers. Roughly, common spaces have not been "*fenced gardens*" (Tapscott & Williams, 2006). When they are fenced and badly ruled, a new dilemma emerges, *The Pirate's Dilemma*.

3. Pirates and Innovation

Mason (2008) took very seriously the principle according to which "*even nice guys become pirates in a world of absurd rules*" (Lessig, 2009). He proposed a simple 2X2, non-cooperative, simultaneous moves game, named the '*Pirate's Dilemma*', to deal with the following situation: consider two commercial entities that operate inefficiently in a market, resulting in very low social welfare because of their rent position. Attacking the two firms can result in significant gains in collective welfare, so the pirate threat is real.

Pirates can intervene and alter the distribution of social benefits. The two players have to decide if they are "mimicking the pirates" (MP) or "fighting piracy" (FP). In the first case, they renounce some profits, but social welfare increases. In the second one, they defend their rent positions at the expense of social welfare.

Let us represent the above dilemma through the following game matrix:

Table 2: The Pirate's Dilemma: An illustration

		Player 2	
		MP	*FP*
Player 1	MP	(15,15,100)	(10,5,50)
	FP	(5,10,50)	(25,25,10)

As usual, numbers denote players' payoffs, except for bold (exogenous) numbers which refer to society's gains (pirates included) concerning different

game outcomes. As it may be easily checked, the above normal form game has two Nash equilibria: (MP, MP) and (FP, FP). In the latter, piracy is feared and social gains are very low. In the former, piracy eliminates inefficiencies and increases social welfare. A pure coordination problem phases out.

Like any pure coordination game, a possible solution to players' dilemma is that they embrace the same coordination device. In our case, the dictate that "*everything that infringes property rights laws is necessarily bad for society*" may yield a game outcome (FP, FP). In the commercial economy, such a belief is widely spread.

In modern hybrid economies, however, things can go differently. This happens when pirates are innovators and common spaces are fenced and forbidden. In these cases, three conditions are required for piracy to be a successful source of innovation:

1. pirates can find a niche outside the commercial economy and introduce a relevant novelty in it;
2. piracy frees a new collective space and creates a new medium through which social meaning can be created;
3. pirates are followed, and supported by, a new crowd that becomes a community of prosumers of pirates' innovations.

If conditions (1)-(3) hold, bottom-up pressures of communities of users can push the game towards its socially optimal solution, that is, (MP, MP). Players have to accept social changes yielded by piracy, and pirates have been drivers of subversive innovation. A similar scenario occurred in the 1960s with pirate radio, which forced the conservatoire BBC to broadcast Rock 'n' Roll.

Indeed, the disruption caused by pirates will be even more severe if they also invent a new mode of collective production.

4. Do It Yourself and Share it!

The Internet Revolution has revamped the "*Do It Yourself*" (DIY) philosophy originally introduced by the punk movement in the 1970s[3]. The hybrid economy is being fueled by Web 2.0 technologies, 3D printers, online publishing, and the like, which provide new options for managing the traditional *make-or-buy* issue, options that can be exploited easily by communities. Inside them, shared ownership of means of production, shared creation of meaning and value, and social aims of production activities create favourable conditions for the DIY solution.

New forms of DIY are often inspired by the old punk philosophy's principles: (i) denial of traditional solutions; (ii) refusal of vertical hierarchies; (iii) bottom-

up creation of meaning and contents even by un-skilled producers; (iv) social involvement; and (v) definition of a new niche.

In the context of doing things yourself, modern information technologies enable the widespread use of *cut-and-mix* techniques that can easily create shareable goods. Remixing, or re-editing contents and meaning is becoming a paradigmatic example of knowledge creation as well as *modding*, i.e., to create a new *mod* for something (normally digital goods or fashion goods), a widespread source of economic value (Miller, 2002). Similar practices illustrate how, once an idea has been decomposed into its basic blocks, those blocks can be personalised by new users, supporting many new ideas shaped by communities' identities and culture. Like LEGOlized innovation based on shared goods and content, as well as derived creativity.

Remixers and modders are not pirates, even if they frequently force property rights systems to their edge. Neither are they punks. But, when DIY, modding, piracy and sharing merge, subversive innovations are likely to come.

5. Graffiti, Spaces and Norms

Graffiti can create new meaning or change the reality of everything on the wall, said the contemporary artist Bansky (Bansky, 2001). The Graffiti movement also provided ethical guidelines for norm-based intellectual property systems which fit well with sharing economy principles and supported derivative creativity (Fauchard & von Hippel, 2006; Adeney, 2012). Let us briefly discuss why.

First, writers are committed to a "*no biting*" rule of behaviour; if a writer infringes such a rule his/her reputation will be heavily damaged. Second, writers can share information and knowledge, but none can disseminate them without the community's permission. Third, like in Open Source Software communities, fatherhood rights are always recognised. Finally, the right to tag undiscovered spaces is everyone's, as long as they respect community norms and values. These factors result in a system of intellectual property rights that are informal and implicit, and in which peer-to-peer monitoring and trust play a critical role.

Indeed, inside hybrid, internet-based, economies the *virtual space* is the last frontier. With the advent of ubiquitous-computing nanotechnologies, augmented-reality environments, and "*the Internet of things*", innovation communities are in a new field of conquest. It is an environment in which attention, authenticity, identity and credibility, in short, *reputational capital*, nourish creativity and virality of new ideas.

For the interpretation of innovation processes, space becomes a "*relational space*" and proximity is a crucial factor. *Relational capital*- i.e., a set of relationships

that encompass production systems, different social actors, a particular culture, and a specific representation system- sustains collective learning processes (Camagni, 2016). Moreover, interaction and cooperation locate innovation in a variety of norms, habits, social conventions, and cultural practices that make up the "*institutional thickness*" of sense making communities (Amin & Thrift, 1994).

Developing milieus requires open and non-discriminatory access to information networks and knowledge infrastructures. Thus, government and international institutions will have to decide whether, and how, to regulate the Internet to promote accessibility, affordability and neutrality, thereby resolving the *network neutrality* issue definitively[4]. However, an open and neutral Internet in which sharing communities thrive requires the kind of ethos that can only be provided by norm-based systems.

6. Conclusion

What do pirates, modders, hackers, and writers have in common? Considering that they are all "*leaning against the wind and sticking their necks out*", they embody fragments of the subversive innovation notion. In this concluding Section, let us profile some of their capabilities.

As we have discussed, being a subversive innovator requires several capabilities compatible with discontinuity and disorder. First, like pirates, being able to mobilise crews and societal groups to fight social inefficiencies. Secondly, like punk rockers, being able to criticise hierarchical and conservative solutions, and introduce new modalities of self-production and self-determination. Thirdly, like hackers and modders, being able to feel "*the joy of hacking*", and to behave according to non-monetary motives. Finally, like street artists, being able to respect values such as authenticity, identity, and credibility, as well as nurture communities that are diverse and norm-based.

Innovators who take on subversive actions want no clear rules of the game. They want ambiguity, fuzziness, and openness. Additionally, if they are part of a community, they can empower both strong and weak-ties networks through bottom-up processes of shared meaning creation. In their minds, chaotic disruption, sharing and discontinuous collective creation are inseparable.

A final caveat is in order. As John Stuart Mill has written,

> *"all political revolutions originate in moral revolutions. The subversion of established institutions is merely one consequence of the previous subversion of established opinions (p.118)".*[3]

If social and open innovations of the hybrid economy want to be revolutionary, innovators must be able to subvert beliefs, relationships, values,

and institutions. Without subversive innovators, in a culturally flat world, like the one of mass capitalism, broadband interconnection and profit conformism, even the trajectories of discontinuous innovation risk becoming excessively conservatory.

Notes

1. The term '*subversive*' is derived from the Latin word '*subverto*' that is, in the ancient meaning suggested by the poet Horace, 'to blow up something'.
2. The neologism is obtained by mixing the word *producer* with the word *consumer*, and it denotes users of *Read and Write* goods or technologies.
3. On the social history of the punk movement see Colegrave and Sullivan (2001). For the DIY approach to industrial and product design see Atkinson (2006).
4. On the Network Neutrality debate see Frieden (2015).
5. See Mill (2019).

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