

# SIERRA REGIONAL Economic News

VOLUME 17 THE PEAKS, HILLS AND VALLEYS OF THE FRONT RANGE OF THE SIERRA NEVADA  
 JULY 4, 2010 WHERE THE CLIMATE FOR BUSINESS IS PERFECT

## Disruptive Innovation: A key to our future prosperity

By George Gussak

I recently read about a theory called 'Disruptive Innovation.' It's an interesting theory that, if carefully applied, finds its way into all sorts of programs and situations. Disruptive Innovation: A term used in business and technology literature to describe innovations that improve a product or service in ways the market does not expect, typically by lowering price or designing for a different set of consumers.

Here are a just four examples, but if I were to extend this I believe the list would become considerably longer and in many cases, redundant. Suffice it to say 'Disruptive Innovation' has a lot of applications; one of the least is how it applies to our situation in the development of a more sustainable and rich economic environment here in Carson City and the surrounding Sierra Region.

### Example #1: Refrigerators were the innovation to ice houses

This new development eliminated the need for the ice box and the milkman. This innovation now results in an estimated 60 million units manufactured each year with an estimated 500 million refrigerators in use worldwide. What a difference when you think of the whole industry built around the making and delivery of ice.

### Example #2: Desktop publishing was the innovator from traditional publishing

Early desktop-publishing systems were limited but as time progressed and consumers saw the clear advantages, creative people stepped up and grabbed the concept. Today you would be hard pressed to find a business that doesn't have a talented graphic artist or desktop publisher on board.

### Example #3: Digital photography displaced instant photography, now increasingly replacing all chemical photography

Quality and resolution are no longer major issues and shutter lag is much less than it used to be. The convenience of small memory cards and portable hard drives that hold hundreds or thousands of pictures, as well as the lack of the need to develop these pictures, also helped spur this industry. Just about every cell phone today has the capacity to take images and send those images to any email account anywhere in the world. A far cry from the point and shoot, then develop method of years past.

### Example #4: Personal computers, mini-computers, workstations from main frames

It's hard to remember that only a few short years ago we didn't have cell phones and laptops. These technologies have become an integral part of our lives, both business and personal.

By extension, I believe 'Disruptive Innovation' can be applied when allowing industry to grow and thrive. We too often see only the simple mathematic or fiscal conclusion. Company A comes to Carson City, sets up shop, employs 10 people, contracts the services of vendors, taxes paid, houses rented or bought, food, fuel and more. But I also believe there is the other intangible, the consequences of smart and aggressive business, of innovation and industry settling in and growing. I believe companies that succeed do so by developing a broader client base, by improvement of their product, by

developing better and more efficient systems; but I also believe part of the equation, one that for a time might seem intangible but exists, is that of innovation finding new markets and creating new ventures. And that, like the law of unintended consequences, offers considerable potential.

Who knows what can happen or what might be accomplished given a fertile environment for exploration and innovation: rail to automobile, sail to steam ship, parchment to paper, paper to CRT to LED!

It might not be disruptive, it might be transformative; it might be simply evolution, the next stage, the next step; it might be a simple change or a new application. But it doesn't have to be in places like Silicon Valley. Innovation and new product lines can come from a garage, a small warehouse, a lab beside an open field, at the foot of the Sierra. It can be anywhere, so why not here?

Many years ago a small industry caught a new sail. It was film and video production in Vancouver Canada. At the time the film establishment wanted to explore places where film and staging could be done cheaper. Places like Lions Gate Studios opened and all of a sudden filmmaking wasn't relegated to just Hollywood and Southern California. Filmmakers understood that production facilities could be built and production handled outside the contiguous US. Peter Jackson almost single-handedly brought production to New Zealand through his "Lord of the Rings" trilogy and "King Kong."

I understand all too well the requirements of many who want to move here. I understand the need for funding, for a more favorable tax and incentive program. I also understand the constraints in place due to the present economic situation. But what applies here applies to just about everywhere in the country. Some places are more restrictive, some less. We might not be right for all industries, but there are many where location is irrelevant, where location is only geography and it's the people and the facilities that are the driving force. We just need to understand their needs. And maybe that is where we will be tested the most. Instead of a shotgun approach, creating mass programs that cover a huge amount of corporate territory, it might be more fruitful to approach specific industries, maybe even specific genres. Hopefully I am simply stating the obvious.

The theory of 'Disruptive Innovation' is simply a way to look at what can happen when a positive, conducive environment is created and allows business and industry to grow and prosper. The aerospace industry, as one example, was small but as it grew and relocated to different parts of the country, with it came support industries and vendors that built around them. The same holds true for the film industry; support industries and vendors by association establish their facilities close to where they see the need.

"If you build it, they will come." This saying has been overused and abused but at its core is a phrase that does apply: Create the environment, build the incentive, and they will see the advantage. ■

## Growing the Economy

In every edition of the Appeal and on every news program on television, the talk is of economic growth. But have you ever stopped to think, what is that?



**Rob Hooper**  
Executive Director  
NNDA

In the most simple of terms, economic growth is defined as simply "more output" as measured in our Gross Domestic Product (GDP), a measurement of aggregate income. So the question at hand is how you get "more output."

According to the economists who spend all their lives studying this, it is pretty simple. There are only two ways to get more output: (1) more input, usually adding capital or labor to the system or (2) being more clever with the inputs that you already have, also known as innovation.

In a landmark study conducted at the University of California, Davis, these two growth methods were studied by looking at the last 75 years of economic growth in the U.S. As you might suspect, it was method two, innovation that has driven our growth more. However, the surprising thing to me when I read the study was the percentage of

innovations' contribution when compared to the "spend and push" method. In short; innovation has accounted for 85 percent of our growth over the last eight decades.

Folks ... this is critical. As a region and as a state, we must put our focus on innovative solutions to problems and find technologies of products and systems that will lead us away from the statement: "Come to Nevada, because we are a cheap date," and take us to the position of: "Grow in Nevada, where innovation becomes profitable."

You will hear much more about innovation in the Sierra Region... this will be its new home.

Last week, I received a great email from Carson City resident George Gussak that brings to home this point. I am, with George's permission, sharing it with you.

For more information or to get involved with NNDA, please call 775-883-4413 or email us at [nnda@nnda.org](mailto:nnda@nnda.org). ■



## Nevada State Railroad Museum

# INDEPENDENCE DAY

## Celebration

### July 3, 4 and 5



Come out for a very rare opportunity to see and RIDE the McKeen car

## EVENTS

- Daily, 9-10am - Parade of steam locomotives including the 1875 V&T locomotive, Inyo.**
- Saturday, July 3rd and Monday, July 5th - Ride the historic steam train - Departs every 40 minutes from 10am to 4pm.**
- SPECIAL for Sunday, July 4th - The recently unveiled century-old V&T McKeen Motor Car will operate every 30 minutes from 10am to 4pm.**
- July 3, 4 and 5 - Warren Engine Company will be cooking on all three days**

Ticket prices vary, museum open 8:30am to 4:30pm all days.

Call 687-6953 for information and prices.

2180 S. Carson Street, Carson City