Passive Income Democratization

I. Introduction

There is no shortage of theoretical postulation on the importance of supplemental income especially as the demands of modernity continue to multiply and become essential. Whether to supplement household income or to save for retirement, more and more families are looking into innovative ways to generate additional money; with e-commerce, social media, crypto and other avenues gaining popularity in recent years.

I would argue that passive income is a form of supplemental income that, once triggered, should require minimal active engagement to sustain.   I would also argue that portfolio income (in the form of dividends, royalties and the like) is a form of passive income tied to financial investments.   Taking these two arguments in perspective and visualizing that time and effort are also forms of investment, the purpose of this paper is to suggest an approach to empower families and communities to generate passive income by investing time and effort to innovate and sustain their innovations.

II. The Art and Science of Innovation

In my view, innovation is usually fuelled by the art of ideation. Ideation can be stimulated by design thinking or other forms of structured approaches; however, it will not culminate without the inspiration of a genius. Therein lies the art.   It becomes then incumbent on the genius within to search for the moment of eureka that makes the output of ideation innovative. The science revealed by eureka will then promote this output into the mainstream and give it the right impetus and momentum to scale.

The above is a theoretical argument not a playbook; never-the-less, it does provide a starting point to visualize innovation and to design a mechanism to tie it into passive income. To start with, let us postulate the following:

1) Premise One: Innovation is inherently ubiquitous.

    I would argue that ideation is inherent within individuals, families and communities. Self-reflection and collective thinking are forms of ideation. In the simplest form, people ideate about planning their next morning, deciding what to cook, finding ways to keep their children entertained and conferring with their neighbours to discuss a community situation. In a more evolved form, people individually or collectively create works of art, tackle complex issues and start new businesses all the time.   There are new ideas built into almost everything we do. Sometimes these ideas build on existing constituents, and at other times they are coupled with inventions.   What's important is to be able to recognize these ideas as and when they emerge and to do something with them.

2) Premise Two: Innovation spurs innovation.

    Whilst art for the sake of art is a form of utopia, a frame of reference and a structured process are required to transform art into a viable commercial venture. This is usually neither the priority nor the work of the artists themselves. A support ecosystem is needed to enable the artists to financially benefit from their creations and allow them to focus on new creations. In this sense, innovation spurs innovation, provided of course that the right support environment has been deployed. The business structure of this environment is a form of science in my view and is what allows innovation to gain momentum and flourish.

Building on the above, the following questions come to mind:

a) How do we spot innovations and explore them for further development?
b) How do we transpose innovations into commercial ventures that allow for monetization and by extension the generation of supplemental income?
c) How can we make it habitual for us to do so?
d) How can we create an environment where this force of habit permeates our communities?

e) How can we specifically empower and enable vulnerable communities with this approach?

Liberating art through science is one way to address the above questions and to allow for extricating innovation from the binds of individual, social or cultural protectionism into a collaborative commercial space that provides financial returns to innovators and allows them to focus on further innovation. In this context, science is the business structure for passive income democratization, which is precisely the concept that this paper attempts to introduce.

III. The Sound of Music

In my opinion, there's music built into who we are and into everything that we do – be it our work calendars, our diet plans, our exercise routines, our social habits, our community interactions or even our national and political manoeuvres. This music that defines us as individuals, communities or people at large gives us the needed space to innovate; however, the onus remains on us to use this space. To understand this concept, let us first explore what music is at the very basic level.

Let us look at three basic constituents along which music is appreciated and consumed:

1) The Melody

I would argue that in music, the basic theme or idea is usually a melody that projects the soul of the piece. Think of the soulful tune in the first movement of Elgar's cello concerto in E minor - please look it up: it's the one right after his intense intro. It is thought that Elgar might have said: "If ever, after I'm dead, you should hear someone whistling this tune on the Malvern Hills, don't be alarmed, it's only me!"

I surmise that every one of us has their own melody and that the more we delve into this melody and try to understand it, the more we will appreciate who we are and the more we will be able to create new ideas to express ourselves. I refer to this as the bare metal of innovation. For some of us, it's our analytical abilities, for others our artistic tendencies and for many a combination of both. The melody scripts our creation and allows us to capture it in a perceivable format.

In addition to classical examples like melodies or paintings, artistic creations encompass other categories such as food recipes, embroidery designs, articles of decoration or other souvenir articles and mementos. For the artist, artistic creations usually come naturally and feature innate innovations that drive value appreciation.

2) The Harmony

In music, harmony is usually achieved through dialogue between the various instruments comprising the musical creation. Harmony, in my view, is what gives flavour to the musical composition and makes it possible for the melody to shine and come to life.

In the context of this paper, harmony is furnished through the business framework that allows for the innovation category to be seen, consumed and appreciated. Harmony takes the innovation out of its protective shell and exposes it to the world in such a way that brings out its allure – for instance using digital marketing and social media.

3) The Rhythm

Rhythm is what keeps the music sane, gives it its genre and allows others to reproduce it as intended by the original artist – or as close as possible. For our purposes, the rhythm can be achieved by the clockwork of a supply chain that allows the production to scale; therefore, delivers the innovation.

We can imagine the following framework to allow us to democratize passive income generation from innovation:

a) Let the artist do what they do best – create the melody which is the soul of their innovation. For instance, create food recipes or embroidery designs and so on and so forth depending on the category of innovation.

b) Furnish the artist with harmony and rhythm to allow them to market their innovation and produce it at scale – for instance, social media platforms, e-commerce platforms, cloud kitchens, garment factories, woodwork workshops, etc. Needless to say, standardizing harmony and rhythm will impose certain restrictions on the artist, a necessary evil I would argue for the better good of passive income.

c) Implement a scheme that allows the artist to make passive income not only as their innovation sells more, but also as they create more innovations and encourage fellow artists to subscribe to the same framework.

Passive income in line with the above framework is akin to royalties that music artists receive as their music is consumed. This framework therefore proposes to democratize passive income by making the music industry logic more inclusive to artists of all types, so that as many people as possible can subscribe to this thinking and therefore benefit from it.

To be more inclusive, it remains crucial to find a mechanism to deploy this concept across vulnerable communities so that those who end up benefiting the most from democratizing passive income are the ones who are in most need of it.

IV. The Case for Empowerment

As explained above, this paper contends that passive income democratization is about empowering community members to realize their innovations and achieve return value. The melody-harmony-rhythm analogy illustrates how such empowerment can be achieved through a structured framework.

The case for empowerment requires that a platform (or several platforms) be construed in line with this framework so that the concept can be operated at scale. Additionally, such platforms will have to adhere to a few guiding principles so that they can serve their intended purpose. Examples of such principles are as follows:

- Ease of deployment across multiple community segments, especially if the primary target in mind is vulnerable communities. This means it should be simple and straight-forward for innovators from such communities to subscribe and benefit from the framework.
- Safe collaboration and fast productivity enablement (e.g., tips, tools and support) to allow for outreach and adoption.
- Experimentation within a compliant and functional ecosystem (e.g., production, market access and monetization) to safeguard the framework from misuse and abuse.
- Sustainable revenue generation to enable a continuous flow of innovation.
- Self-sustaining commercial model with attractive returns for investors and conscious social entrepreneurs to allow for a fully invested ecosystem.
- Green, compliant and technologically advanced platform to support the framework (e.g., strong ESG, cloud-based, leveraging nascent technologies such as AI among others).

Whilst empowering vulnerable communities may be a noble cause, it is important to note that any commercial setup that aims to do that needs to be self-sustaining and able to attract investments not only to support its operation, but also to grow and evolve as and when needed.

V. Conclusion

This concept paper attempts to articulate the theory behind passive income democratization for community empowerment; however, the viability of the concept will still need to be tested and proven. Whilst grand ideas are attractive by nature, it's important to start with agility and impact and to try to achieve proven results from the get-go. To do that, the following must be kept in mind:

- Select a pilot community that would be prepared to allocate members to invest the required time and effort to test the concept.
- Select an innovation category that is not only dominant in the selected community but can also be a representative category across multiple communities that allows for scaling up once the concept has been proven.
- Start with one community segment or a limited group of innovators and incorporate their feedback into the concept design.
- Recruit an initial ecosystem that is prepared to support the first category and whose constituents can be as readily available as possible.
- Ensure that the category can be operated in compliance with all requisite regulatory requirements.
- Ensure that the basic value drivers of the concept can be measured and assessed; mainly, passive income generation, adoption affinity (thus democratization) as well as platform commercial viability.
- Test the system based on the initial category, adjust and improve as applicable.

Once the system has been tested on an initial category and its viability has been proven, it can be rolled out vertically first for the same innovation category as the one tested above; then and once successful, it can be expanded horizontally to incorporate other innovation categories.

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