Disruptive innovation

Technology, Innovation

In order to remain afloat in this ever changing market, companies must have a sound proof strategy. According to Thompson, Peteraf, Gamble and Strickland, a company's strategy is its action plan for outperforming its competitors and achieving superior profitability. (Thompson, Peteraf, Gamble and Strickland p. 4) One well known strategy or theory of many companies is a term called disruptive innovation. Disruptive innovation was coined by Clayton Christensen. It explains the process of a product or service preliminary application initiating from the bottom of the market that replaces an already established product or service.

This theory has created a significant impact on management practices in all types of industries. It has created debates of how " executives and managers are in need of research that will elevate the pursuit of successful innovations from a gut-level, intuition-driven art to something more closely resembling asciencebased on repeatable processes with predictable results." (Raynor, p. 27) In doing so, it has also created a sense of conflict between entrants, incumbents and disrupters to see which organization will remain the top supplier.

Innovation is always on the top mind for all CEOs. Understanding how to identify disruptive innovations before they become mainstream and take advantage of the '" white space" is a skill to cultivate. Disruptive Innovation patterns are always changing and sometimes are very difficult to see because of it's rapid growth.

Similarities;

Raynor:

Disruption theory can be used to shape existing innovation ideas in ways consistent with the theory's prescriptions. As of now the disruption theory of innovation is the only one with evidence to support the assertion that it can improve predictive accuracy. 1. Used to shape existing innovation ideas in ways consistent with the theory’s prescriptions 2. a particular perspective on innovation - is based on its superior explanatory and predictive power 3. entrants attacked successful incumbents by adopting the incumbents' models and technological solutions - what he called a " sustaining" strategy- they tended to fail. However, driven by their desire to grow, the upstart entrants were strongly motivated to improve their initial offerings in ways that would allow them to compete effectively for the larger, more lucrative mainstream markets.

This was the entrants' " upmarket march," and entrants that marched upmarket successfully eventually captured the customers that had been the incumbents' mainstay. Differences: Whatever ambiguities might remain in making the relevant categorizations (incumbent vs. entrant; sustaining vs. disruptive) the data reveal that overall; disruption theory makes better prediction possible. In contrast, entrants tended to succeed by combining a business model tailored to the needs of a relatively less attractive market - the entrants' foothold - with an ability to improve their original solutions in ways that allowed them to provide superior performance that incumbents were unable to replicate - the upmarket march In contrast, I make a more limited and modest claim: disruption theory can deliver statistically significant and practically material improvement in the ability to innovate successfully. Christensen and Overdorf

Difference – Managers lack thinking about their organizations capapbilities as they think about individual peoples capabilities. Pg 68 2. Our research suggests that three factors affect what an organization can and cannot do; its resources, its processes and its values pg 68 3. Differences; or similarities . As companies become large, they lose the ability to enter small emerging markets. Cause by an evolution of values. Pg 70 4. Disruptive innovation can create an entirely new market through the introduction of a new kind of product or service, one that is actually worst. Pg 72 5. Differences: Sustaining innovation are nearly always developed and introduced by established industry leaders. But do not cope well with disruptive innovations.

Pg 72 6. Similarity: DI occurs so intermittently that no company has a routine process for handling them. Inconsistent with the company's value. Pg 73 7. Differences; Focus on resources such as people, money, technologywhich is required to succeed at the sustaining innovation not the disruptive innovation. Pg 73 8. SIMILARITY: LARGE COMPANIES OFTEN SURRENDER EMERGING growth MARKETS BECAUSE SMALLER COMPANIES ARE MORE CAPABLE OF PURUING THEM. PG 73 9. Every decision need not be backed up by careful research and analysis. Pg 73 10. Differences: create new organizational space so capabilities can be developed. Pg. 73 ---- create new space internally, create new space via spin out, create capabilities through acquisitions pg 74. Wessel & Christensen

1. Identify the strengths of the disrupters business model

2. Evaluate the conditions that would help or hinder the disrupter from co-opting your current advantages in the future. Pg. 58

3. Extendable core – allows the disrupter to maintain its performance advantage pg. 58

4. Different: What jobs people want done for them. Pg 58

5. Similarities: Disruptive missiles are not destined to hit directly or right away. P58

6. AN UPSTART CAN MAINTAIN ITS ADVANTAGE WHILE IT IMPOROVES IT PERFORMANCE. P59

7. SIM…Identifying a disrupter’s extendable core predicts what kind of customers might be attractive and what kinds will not. P59.

8. SIMILARITIES: THE MORE DIFFICULT THE BARRIER THE MORE LIKELY THE CUSTOMERS WILL REMAIN WITH INCUMBENT PG 60

9. Successful entrepreneurs look at opportunities in the terms of the jobs they can do for the customers p. 60

Although the theory is sound and works only one particular way, each company has to figure out how to make that theory work for their organization that would allow for the best return on investment.