Disruptive technologies: catching the wave essay sample

Business, Customers

This article by Joseph L. Bower and Clayton M. Christensen wants to explain why most of leading companies around the world can't maintain their position at the top of their industries in spite of growing in technologies and markets. They also offer suggestions for how the business can avoid such negative impact. They had a conclusion that most of the reason that the companies fail to remain/stay as leaders is because of the close relationships with their customers. For a short time, It was good, but for long term it can slow its progress when face the innovative changes.

Large companies usually stick close to one customer in order to fulfill their needs and stay in the competitive markets. Most of the managers who are looked upon to take risks based on their ability to stay competitive following their customer suggestions because it is the safest bet and lowest risk. However, this article will fully tell us about the consequences in choosing and using this method as their benchmark.

One example to show how risky for staying close to customer is the hard disk drive industry which happened between 1976 and 1992. The company only developed only the technologies that the customers needed. As the first result, it was quite good, however, after a few years, the company was toppled by other new-coming companies that had out of their boundaries and didn't follow the needs of customers. As a result, not one of the independent disk drives companies was survive today.

From this kind of event, everyone can learn that they need to fully aware of disruptive technologies which do not meet customers' needs in the present but very useful in the future. However, this pattern is still being used by

some managers because they have making profit oriented. Why? The power of current customer needs is very useful for making profit for present, and managers usually don't want to waste their company's resources for the technologies that their customers don't want. Most of the well companies teach that patterns to reducing company's risk in making the new technologies which apply to the customer's need.

Seagate Technology's experience the consequences of relying on that strategy. It's too late for the company to adapt other strategy at that time because of a very strong competition in the markets. It is typical responsive from established companies to the emergence of disruptive technologies which is to enter the market only if it can satisfy financial needs and also when the customers need this new technology.

There are some methods to spot and cultivate disruptive technologies. First one is Determine whether the technology is disruptive or sustaining. It is very essential to identify the disruptive technology and the risk within its set. However, it is also important that managers examine internal disagreements over developing the new products or technologies between marketing and financial managers whether to support or reject it.

The other method is by Defining the strategic significant of the disruptive technology. It refers to questioning the right people about the strategic importance of disruptive technology. For example, mainstream customers – are the wrong people, because they demand the highest performance. The graph in page 49 " How to Assess Disruptive Technologies" can help

manager to identify the right people and the right questions to ask. First draw the line " Performance improvement required by mainstream market". Then locate the " Current performance of potentially disruptive technology". If the technology is really disruptive the point will lie far below the first line. If the slope of " Expected trajectory of performance improvement" is higher than the slope of the first line then the new technology is strategically critical. However, usually, many of disruptive technologies never surpass the old technology.

Moreover, the third method is by Locating the initial market for the disruptive technology. Managers must create the information about the market such as customers, dimensions of the product performance and also the price points. It can be done only by experimenting rapidly, iteratively, and inexpensively with product and market. The decision is to allow start-ups which company funds or with no connection to the company conduct the experiments.

By Placing responsibility for building disruptive technology business in an independent organization is also may also considered as one of the method to spot the disruptive technologies. Making a separate company is necessarily needed when the disruptive technologies have a lower profit margin than the mainstream business and must serve unique needs of a new set of customers. Consider the failure of Control Data Corporation in launching the 8-inch disk-drives and it success in launching 5. 25-inch disk-drives by using this approach.

Keep the disruptive organization independent is the last method to use in spotting and cultivating disruptive technologies. When the emerging market becomes large and established, don't integrate the disruptive technology independent unit into mainstream organization. Every business unit sooner or later depleted so the company doesn't need to be scared that their decision will kill the mainstream unit finally.

In the end, this article discuss about the need for companies to be willing to allow the disruptive technologies into the cycle. Fear of a technology " eating" their business will only lead the company to fail in the end. It is these new technologies which will allow the company to survive when their mainstream products meet their expiry time.

Questions: Do the CEO of the company wants to take a risk for creating a new technology in spite of most of them have to make profit quickly?