Theories of disruptive innovation

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Disruptive innovation has a proven advantage to foster creativity through innovation and the ability to cultivate a sustainable and competitive advantage over the competition when properly strategized. An important factor in determining long-term success is not just reacting to economic trends, but rather a willingness to persevere and sustain the company's focus. Through the development of a plan that focuses on creating value for the customers needs, managing risks, and operating more efficiently (Harris, 2008), management teams are tasked with an achievable baseline to develop a competitive advantage.

The strategic thinking associated with a disruption theory may typically regresses towards what the competition is currently doing and what seems to be the most effective use of that strategy. The blunder of using the competition as a benchmark is that it usually yields short-term or unsustainable success due to a poor strategic reference. The halting of a sustainable competitive advantage depletes the success rate of a tactical counter-move and the birth of new innovation. Through shared innovation outside of a conventional context, the disruption theory has paved the way for many forms of strategic thinking, such as value innovation, which has garnered a much wider range of fluidity.

Value innovation places an equal emphasis on value and differs from a technological innovation. This innovation expands through acknowledging the desires of the relative market and capitalizing that knowledge with a sense of economical value and defining the quintessence strategy. Rather than focusing on simply beating the competition, the strategic mindset should be on expanding existing markets or creating new ideas such as

those seen in the Blue Ocean strategy, which has been duly illustrated by Apple Inc.

Disruptive Innovation – Sustaining, Evolutionary and Revolutionary The theory of disruptive innovation, sometimes referenced as disruption technology aims to improve a product or service in ways that the market does not expect. This innovation assists in identifying the creation of a new market or a value-added possiblility in an existing market. This market will then create an opportunity through disruption which will aim to displace an earlier technological advancement. Disruptive strategic innovations grow to capture a large share of the established market.

Over time, they improve to the extent that they are able to deliver performance that is good enough in the old attributes that established competitors emphasize and enhance in the new attributes. Inevitably, the new innovators growth attracts the attention of already well-established players. As more customers, (both existing and new) embrace the newly arrived strategic innovation, the new business receives increasing attention from the media and those established players as well.

Soon, established companies cannot afford to ignore the new way of doing business anymore and will begin to consider ways to respond (Charitou & Markides, 2003). This disruption is generally accomplished thorough identifying a different set of consumers in the new market and then offering the product or service at a lower price than what is currently being offered to provide an implied value to the consumer. The disruption theory was articulated by Clayton M. Chistensen to describe how large, successful

incumbant organizations of all types had become toppled by much smaller startups (Raynor, 2011).

It is quite possible for companies that have been market leaders to overlook a potentially, less attractive market and a smaller startup to come in and earn the consumer business that is willing to take a possibly lesser valued product or service if it still fits the needs of the respective market. In contrast to disruptive innovation, a sustaining innovation is one that does not affect an existing market nor does this it aim to create a new market as the goal of a disruption inovation does.

What this theory does instead is to evolve an existing service or product into a better value and allow competitors to compete against a sustaining improvement (Christensen & Overdorf, 2000). Sustaining, Evolutionaryand Revolutionary Innovation A sustaining innovation may then even go one step further to be categorized into either an evolutionary or a revolutionary innovation. An evolutionary innovation is a segment that aims to improve a product in an existing market in ways that the customer is expecting. E. g. faster performance or updated software.

A revolutionary innovation is one that is unexpected, but nevertheless, will also not affect an existing market. E. g. discontinuous or radical changes " To predict the survival of a disruption theory, there are four rules which may be applied: 1. An incumbent that launches a sustaining innovation (one intended to meet the needs of its current customers) can expect to succeed. 2. An incumbent that seeks to disrupt its own markets can expect to fail. 3. An entrant that launches a sustaining innovation – one that targets the most

valuable segments of an established market – can expect to fail and 4. An entrant that launches a disruption can expect to succeed” (Raynor, 2011).

What an entrant or incumbent must do is assuredly align not only the newest idea to expand through the market, but also one that will return a high dividend and investment to both the company and the consumer. By doing so, companies should want to embark upon a strategy that would dwarf conventional logic and make the competition irrelevant. One form of this type of pioneering innovation is the strategy of value innovation.

A value innovative strategy would target the mass of buyers with an understanding that some consumers may be lost as well. Then going one step further to focus on key commonalities and total solutions beyond its industry’s traditional offerings. (Kim & Mauborgne, 1997) Value Innovation Kim, W. , & Mauborgne, R. (1997) define value innovation as the simultaneous pursuit of radically superior value for buyers and lower costs for companies. Value innovation focuses on making the competition irrelevant by creating a leap in value for both the buyers and the company through opening up new and uncontested market space.

Because value to buyers comes from the offerings utility minus its price, the assured value to the company is generated from the offering’s price minus its cost. Value innovation is achieved only when the whole system of utility, price, and cost are aligned. There are three platforms by which value innovation can take place: product, service and delivery (Kim & Mauborgne, 1997). Kim and Mauborgne's value curve and the pioneer-migrator-settler map provide real analytical tools for implementing the often-elusive concept of innovation.

Sound strategic decision making virtually always requires creative thinking. How to set the parameters of the competitive arena by thinking outside of the box is the challenge for today's managers (Hwang, 1997). It is imperative to first identify and articulate the company’s prevailing logic, consider industry assumptions and align the strategic focus accordingly (Kim & Mauborgne 1997). Value Innovation is the cornerstone of what is warmly referred to as a blue ocean strategy. Blue Oceans are those that seek out unpopulated market spaces.

The Blue Ocean strategy of Kim and Mauborgne has attracted much interest among academics and practitioners worldwide. In presenting this strategy for retaining existing customers and attracting non-customers, Kim and Maubourgne utilized a four-action framework, which they referred to as the ‘ eliminate-reduce-raise-create grid’ (please see attachment 1). The value innovation methodology monitors value curves which may also keep a company from pursuing innovation where there is still a huge profit stream to be collected from its current offerings.

When a company’s value curve is fundamentally different from that of the rest of the industry – and the difference is valued by most customers – managers should resist innovation” (Kim & Mauborgne 1997). Additionally, Red Oceans also exist and are markets whereas a company chooses to compete in an existing market space to ‘ beat’ out the competition. The problem with a red ocean is that there is limited room for real growth in the market. Blue oceans in regards to value innovation creates an opportunity for endless possibilities.

Companies must harness themselves in a fashion where the competition cannot penetrate their niche. In doing so and sustaining an innovative strategy, the competition will find it hard to compete and do so frequently. Apple has created a niche of its own by continuous disruptive strategy and vast innovations in technology. Through diligently understanding when capabilities reside, Apple is made whole through the transformation of resources into products and services of greater worth.

Case Study – Apple Inc.

“ Apple has an " i" for revolutionary technology. Since its release, the company's iPhone has incited a revolution in cell phones and mobile computing from all its competitors. It also continues to innovate its core Mac desktop and laptop computers - all of which feature its OS X operating system, including the iMac all-in-one desktop for both the consumer and education markets, the MacBook Air ultra-portable laptop, and the high-end Mac Pro and MacBook Pro for consumers and professionals” (Yang, 2011).

By adding more features and functions to their offerings, they are successfully able to capture more attractive customers in premium tiers of their markets (Christensen & Overdorf, 2000). Apple scored a runaway hit with its digital music players (iPod) and online music store (iTunes). The iPad tablet has become another successful disruption and value innovation combo in the consumer market acquiring nearly 40% of sales from customers in the US (Apple, Hoovers) even amongst the vast complexities and interdependencies of competing in today's economic and credit crunch dilemmas.

There are a vast majority of companies looking to invest in solutions that help to solidify consumer relationships and leverage continuously profitable business, while maximizing efficiencies and mitigating risk. (Harris, 2008) The disruption of the mobile phones and devices, which Apple has successfully foisted throughout the world - by the immersion of the iOS system, has caused it to reach a point where it dwarves the values of other companies and not only within the sectors by which it competes.

Some suggest that Apple is an anomaly and does not reflect the economy (Apple, EBSCOhost). The key point here is that this anomaly has become the norm throughout various markets. Many consumers have become so dependent on Apple and their offerings that it would be early impossible to create a disruptive innovation that could take hold of its current markets. Apple, through the iPhone and iOS ecosystems is in the front line defining this era and assuredly many more to come. Conclusion

A disruptive innovation creates a new market by applying a different set of values, which ultimately and unexpectedly overtakes an existing market. The idea that companies need to innovate to in order to grow is hardly a new conceptualization. Nor is the idea that management must play a crucial role in fostering new and innovative processes. To invoke upon a sermon on the importance of innovation is unnecessary, yet what is necessary is for managers to understand and take hold on how creative pursuits can be translated into a highly tangible business advantage.

Only with such understanding can they get a handle on abstract concepts and turn ideas into realities (Hwang, 1997). An important key factor in determining a company’s long-term success is not just reacting to economic

trends, but rather a willingness to persevere and sustain an allied focus through the creation of value that is prepared, while at the same time, better managing risks, growing revenue, and gaining market share (Harris, 2008).

Deciding whether to embark upon the innovation of a new product or service that strategically disrupts a market, enhances or is expected are all theories of disruption and value innovation at their peak. Through the creation of a new value curve that offers unprecedented value to the masses by giving more of what’s needed and less of the offerings that the consumer is possibly willing to do without for a relatively lower price is a strong example of a value innovation.

To achieve highly sustained and profitable growth, companies must break away from circle of the competitive and imitative trap. Rather than striving to match or outperform the competition, companies must cultivate value innovation. Knowledge and ideas are infinite economic goods that can generate increasing returns through a highly engaged systematic use (Kim & Mauborgne, 1999) such as those seen with Apple. Apple has become the most innovative company of our time in regards to technology.

Although Apple has been successful thus far, they will need to embark on more creative ideas to sustain their spot at the top of such a competitive market. Product innovation alone cannot and does not produce sufficient or sustained competitive advantage and growth. Increasingly, industry leaders such as Apple, are complementing their product offerings with service innovations to create solutions that generate greater customer value, improve brand preference, and create greater cross-selling opportunities (Shelton, 2009).