DISRUPTION | INNOVATION

Bruce Hohne

WHAT DO THESE HAVE IN COMMON?

**Porter "Five forces"
SWOT
Financial analysis
"Best practices"**

Disruptive Innovation Theory - Christensen

twitter

What's happening?

140

New! Add a location to your tweets. Turn it on - No
Latest: Jonathan Brassington to speak in #mis353

Home

RichMillington The 3 thir
community: http://cot.ag/bFEr
about 4 hours ago via CoTweet
Retweeted by StevenLJohnson and 1

andrewjns Really? - Ben
Salesforce based on Chatter
tool) http://bit.ly/9omSAj
about 18 hours ago via bitly
Retweeted by StevenLJohnson and 17

johnmaeda A SQL-less w
http://j.mp/bnm5Ag
about 2 hours ago via Twitter for iPhon
Retweeted by StevenLJohnson and 12

zephoria What are your favorite myth-making news stories?
(Seeking crowdsourced help for my book): http://bit.ly/cDvI03
9:42 PM Sep 11th via web
Retweeted by StevenLJohnson and 14 others

ocdqblog The #DataQuality Daily is out! http://bit.ly/dhjcK6 ▸
top story via @JohnIMM : Function Modeling | BPM | Process
Modelling
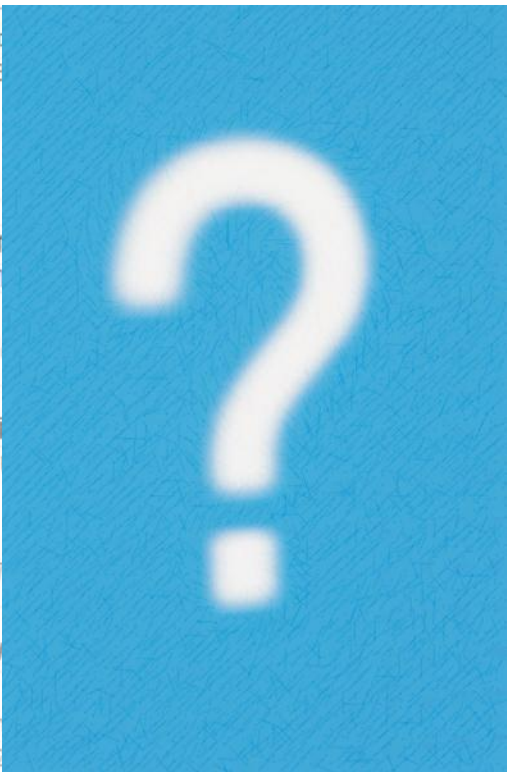
mandviwa
2 tweets

1   2   1
following   followers   listed

Video Music Awards
n. Watch MTV this Sunday at 9
p.m. for tweets on air and
@kanyewest on stage.

Home

@mandviwa

Direct Messages   0

Favorites

Retweets

Search   🔍

Lists

Lists are timelines you build
yourself, consisting of friends,
family, co-workers, sports teams, you
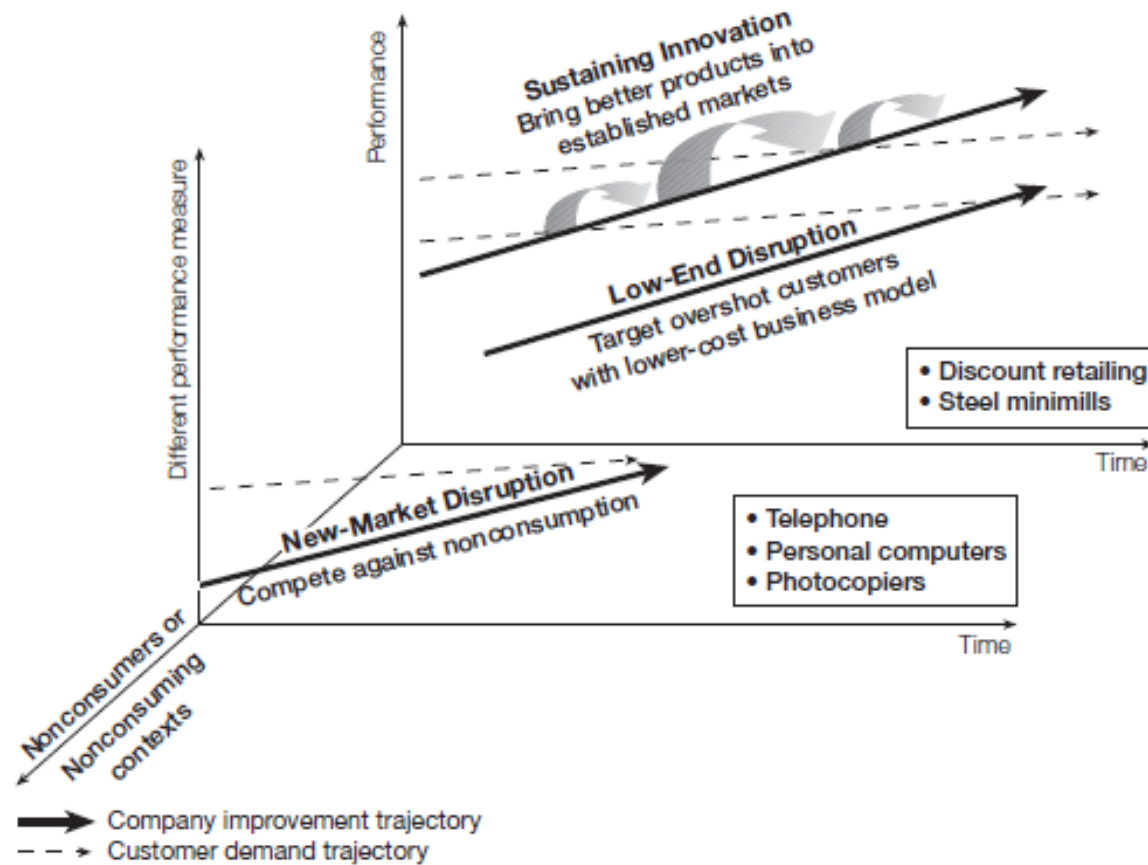name it.

New list

Trending: Worldwide

Change

Jared Leto

Dear Taylor Swift

The Disruptive Innovation Theory

Source: Christensen, C., Anthony, S., and Roth, E. "Seeing What's Next: Using the Theories of Innovation to Predict Industry Change." Harvard Business School Press, 2006, p.4.

Sustaining

Move along a known path such as improve an existing product.

Low-end

Existing products are "too good" and relatively expensive such as Smartphones?

New-market

Change the product to get new people by changing its nature or by making it more convenient (reduce expertise or wealth requirement)

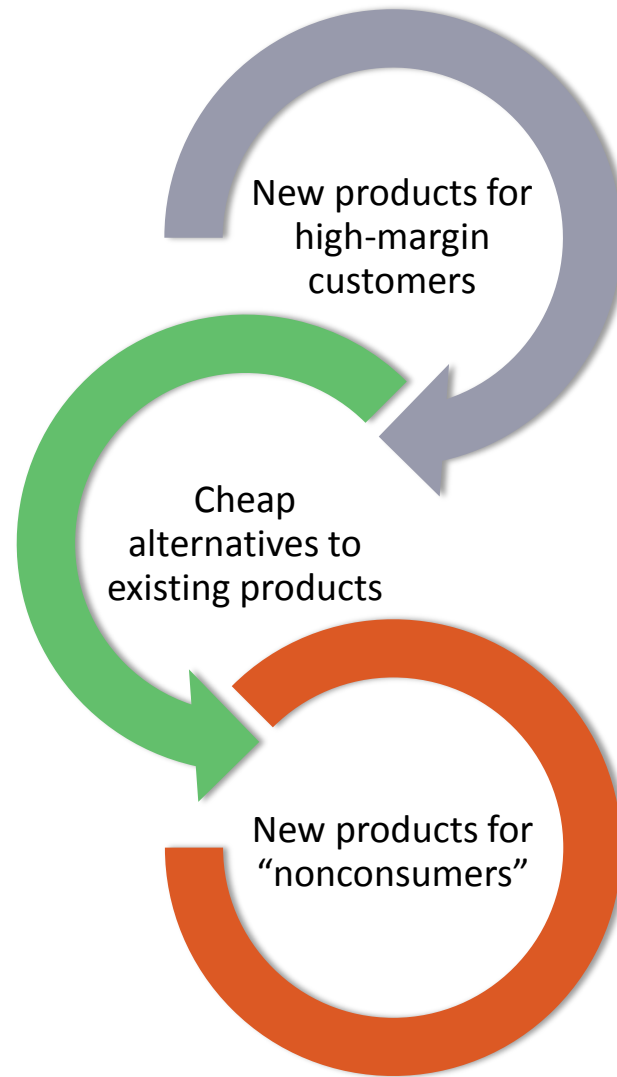Fox School of Business
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Your existing position **+** What's going on in the environment **=** What to do

Options
- Compete directly
- Serve a different market
- Create a new market

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New products for high-margin customers

Cheap alternatives to existing products

New products for "nonconsumers"

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Resources

Assets

People, cash, products

Processes

Way of working

Hiring, budgeting, product development

Values

Criteria used to make decisions

Customer demands, ethics, cost structure
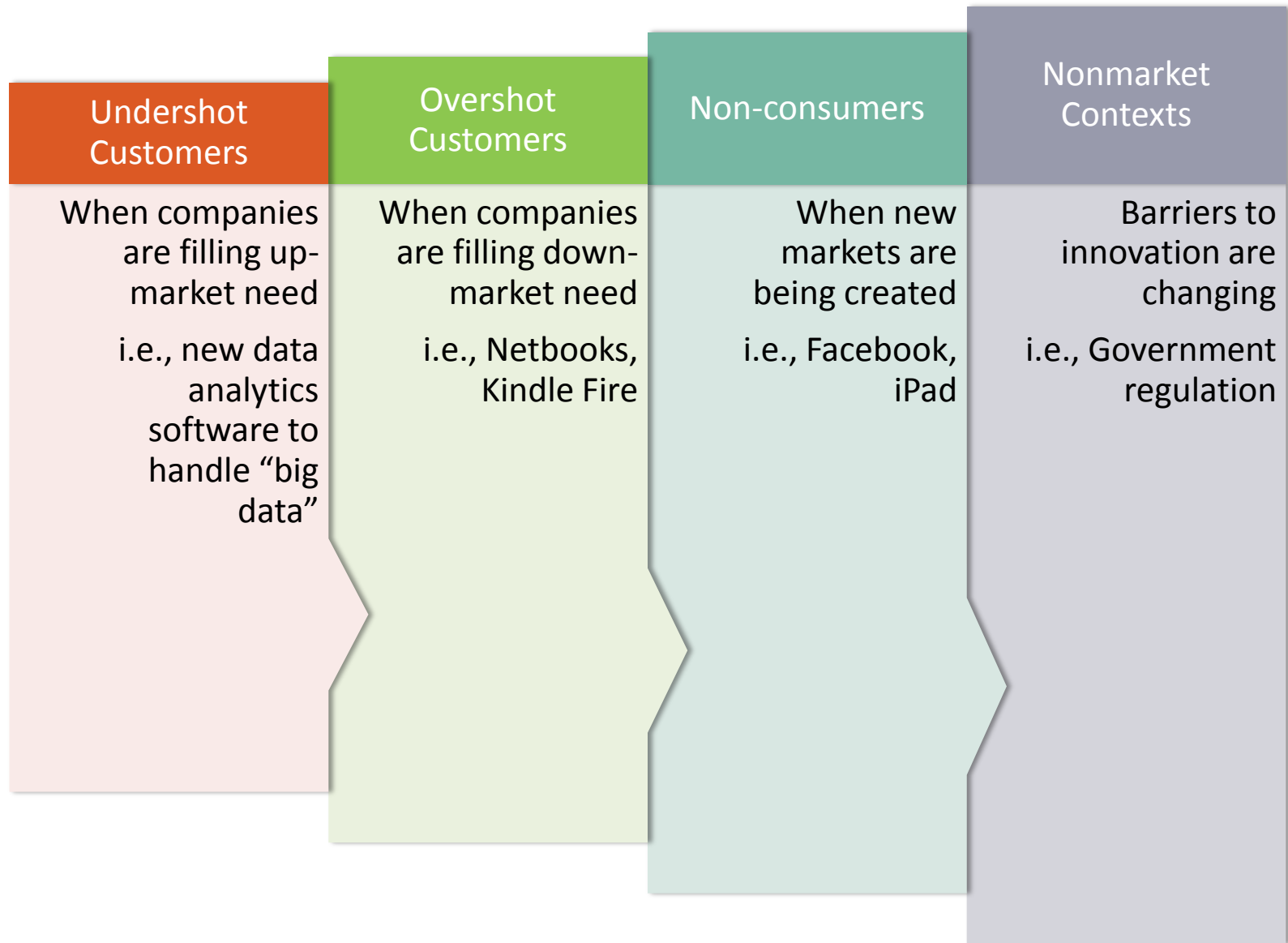
Source: Christensen, C., Anthony, S., and Roth, E. "Seeing What's Next: Using the Theories of Innovation to Predict Industry Change." Harvard Business School Press, 2006, p.6.

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Undershot Customers	Overshot Customers	Non-consumers	Nonmarket Contexts
When companies are filling up-market need	When companies are filling down-market need	When new markets are being created	Barriers to innovation are changing
i.e., new data analytics software to handle "big data"	i.e., Netbooks, Kindle Fire	i.e., Facebook, iPad	i.e., Government regulation

Non-consumers / Not consuming	Undershot	Overshot
• **Signals**	• **Signals**	• **Signals**
• Growth rate	• Consumer frustration	• Decreasing prices over time (refusal to pay for more)
• Specific segments (college students!)	• Negative reviews	• Features not used
• Product or service delivery chain	• Willingness to pay higher prices	• Complaints about 'complicated'
• RELATIVE low price	• Prosperity of niche integrators	• **Change**
• **Change**	• Specialists struggle	• Basis for competition
• Simple	• **Change**	• Make the product "less good"
• Increase access	• Incremental	• Commoditize
• Increase ability	• More radical	• **How**
• Reduce financial barrier	• **How – existing customers**	• Value chain
• Reduce skill barrier	• Performance - Reliability	• Convenience
• Easily	• Performance - Functionality	• Customization
• Effectively	• Integration - need it for radical	• Low prices
• **How**	• Compatibility	• Ease of use
• Convenience	• Interoperability	• **Leads to**
• Customization	• Legacy	• **Low-end disruptions (convenience/price)**
• Lower price	• **Leads to: Sustaining up-market (radical or incremental innovation)**	• **Specialists displace integrated players (need modularity)**
• **Leads to: New market disruptive innovation**		• **Standards based competition**

What is the new technology innovation?
(you must be able to specify this, otherwise Christensen is likely not applicable)

- A single new feature or a bundle of new features
- A new attribute/representation/bundling that simplifies previously complex features
- A new kind of product/service
- A mix of other innovations

What will this new technology innovation cost?

- It will be much lower cost than what you spend to get the capabilities >> 'low end'
- It will cost quite a bit more or it will be a new cost that cannot be compared >> 'new market'

How easy to use will this this new technology innovation be?

- Much easier to use >> 'low end' or 'new market'
- It will do something entirely new which will require a learning curve >> 'new market'

How does the above innovation compare to existing similar products/services?

- Significantly better >> 'new market' or 'low-end'
- Slightly or somewhat better >> 'sustaining'

Who is using these existing products / services?

- (describe the customers, their demographics, size of market, etc.) >> 'sustaining' or 'low-end'

Who will use new technology innovation?

- Consumers who use similar products/services >> 'sustaining'
- Consumer who use adjacent or completely different products/services will migrate over >> 'low end' or 'sustaining'
- Hard to assess >> 'new consumers >> 'new market'

Where will this technology innovation be used?

- Where existing similar products/services are used >> 'sustaining' or 'low-end'
- In a new location/time/context >> 'non-consuming context' >> 'new market'

"E-Business"

- Use the Internet as a conduit for connecting businesses
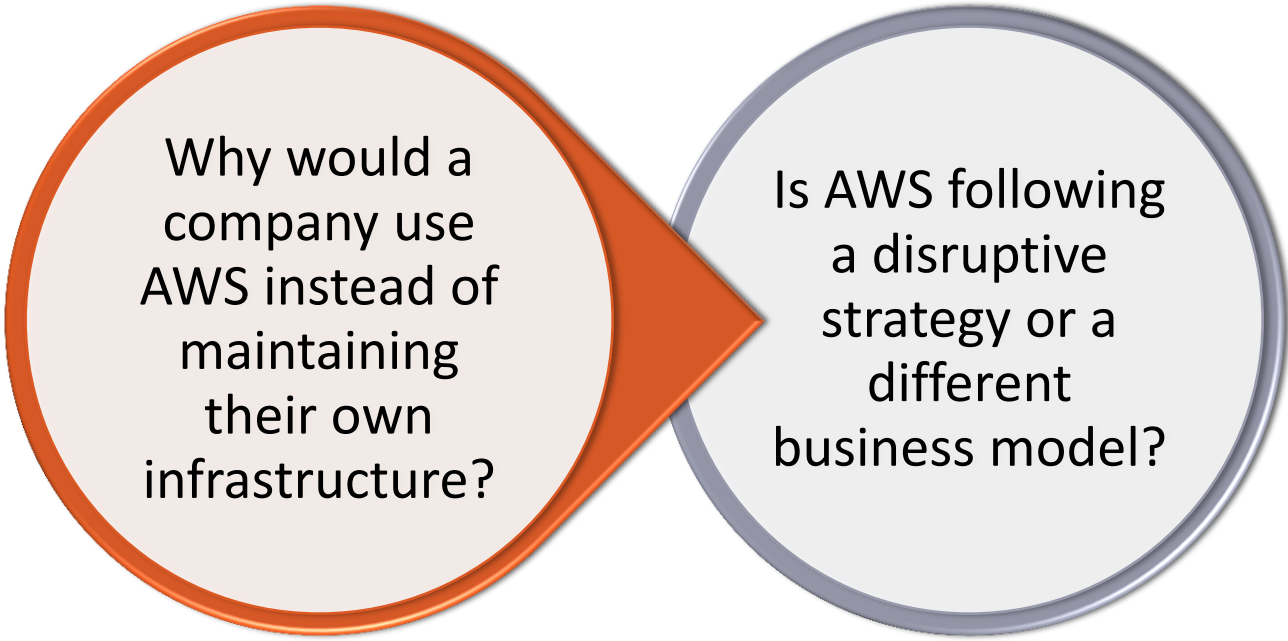
The Cloud

- Use the Internet to access hosted services

- B2B
- Electronic Data Interchange

- Amazon.com
- Netflix
- Dropbox

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What does AWS do?

Why did Amazon get into AWS?

What is "muck"?

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Why would a company use AWS instead of maintaining their own infrastructure?

Is AWS following a disruptive strategy or a different business model?

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- Are cloud-based services "low-end" or "new market"?
- How could it disrupt IT-related industries?
- How could it disrupt non-IT industries?

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What should Facebook do to increase revenue?

What is 'best' business model for Facebook going forward?
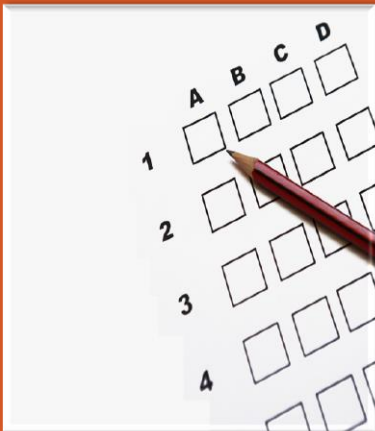
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- Is Facebook "low-end" or "new market"?

- How could it disrupt IT-related industries?

- How could it disrupt non-IT industries?

Process

- Form 4 groups (count off 1 – 2 – 3, 1 – 2 – 3, …)
- As a group, discuss the following
- 5± minutes discussion per question
- One person reports out the group's answer
- Different person reports out answer on next question

Questions

- Compare the Amazon, Google, and Facebook strategy. Which is more disruptive?
- In relation to the above which markets are they trying to disrupt / go after?
- Which company do you think will be more successful? Why?

A. **What would you like to remember about disruption and innovation?**

B. **What do you have questions about?**

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Process Thinking

A series of steps and flows

Decompose

Systems Thinking

Collection of processes and technological components

Feedback loop

Synthesize

Disruption

Identify market

Apply innovations

Implement processes

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