

## A Decade Of Disruption

Clayton Christensen and Innosight 10.26.07, 12:46 PM ET

Ten years ago, I published *The Innovator's Dilemma* to explain how the very management principles that companies have learned to rely on actually can inhibit their ability to successfully master disruptive change. In industry after industry, my research has shown that disruptive forces can overwhelm even seemingly unassailable market leaders.

The theory of disruptive innovation emerged out of my research in the hard disk industry, where I noticed an interesting pattern. Every time an innovation involved making a better hard disk that would be highly valued by a company's current customers, incumbents won. However, when an innovation involved making a hard disk that current customers actually couldn't utilize because it seemingly had too little performance, entrants won the market. Further research showed that this pattern was common.

More than 130 years ago, Western Union passed on the telephone because the technology could send a signal only a few miles. In 1888, then-upstart Kodak launched its first consumer camera, transforming the photography industry by making it simple and easy for individuals to take pictures ("you push a button, we'll do the rest").

In the late 1950s, **Toyota's** first car hit the American market. The boxy, but cheap, Corona, was largely dismissed by Detroit auto manufacturers. In the 1970s, personal computers started as toys. In the 1980s, Cisco Systems introduced devices that allow functional departments to inter-connect, humbly beginning the transformation of the networking business. In the 1990s, eBay began by selling simple collectibles that were very difficult to trade before the Internet arrived.

In industry after industry, companies have created growth by following--explicitly or implicitly--the patterns of disruptive innovation. Disruptors create growth by redefining performance. They either bring a simple, cheap solution to the low end of an established market or enable "nonconsumers" to solve pressing problems.

**Special Offer: "Disruptive innovations" either create new markets or reshape existing ones. Can you say your business is doing either? Click here for Clayton Christensen's must-read newsletter, Strategy & Innovation.**

In retrospect, I made a poor choice when I used "disruption" to describe the phenomena that transformation so frequently stems from simple, cheap solutions. The word can confuse those who mistake my definition with the dictionary definition of "disruption." In fact, in 1997, when I was at Intel summarizing my research, my friend Andy Grove said, "If you call it disruption, you will mislead the world." Unfortunately, *The Innovator's Dilemma* was already being printed, so it was too late.

The problem is that many assume that "disruption" and "different" are synonyms. They are not. Disruptions often don't involve big technological breakthroughs. Rather, they involve mastering the intricate art of the simple solution.

I thought that I would take this opportunity to look back at what I have learned over the last 10 years by reinforcing four key points about disruption.

### **Technology improves faster than people's lives change**

One of the core findings from my research is that companies innovate faster than people's lives change. This means that in the pursuit of attractive profits, established companies almost always end up "overshooting" progressive market tiers. In essence, they provide products that pack in too much performance for the average person.

Think about your mobile phone. Odds are that you only use a fraction of the capability of the phone. Companies have to play this game. The sustaining innovations that move a company along an established improvement trajectory are the lifeblood of any firm. But companies that only sustain create circumstances that favor disruptors, or they miss great growth opportunities sitting right under their noses.

## **Disruption is not just technology**

Generally, the true disruptive power of an innovation lies not in the technology itself but in the business model that surrounds that technology. Successful disruptors have the ability to make money at low price points. Or they have low overheads that allow them to start small and adapt. Or they play in a very different value chain, with new partners, suppliers and channels to market. It is these business model differences, and not technological prowess, that so often throw incumbents off-balance.

Think about it. What company wants to introduce a product that its mainstream customers can't use if it promises to make them less money than other options the company is considering?

## **Disruption comes from playing the game differently**

A successful disruptor masters the art of trade-offs. Their offering isn't better along traditional performance dimensions. In fact, it's typically just good enough along dimensions that historically mattered in a mainstream market. A disruptor redefines the notion of performance by pulling an overlooked innovation lever. Simplicity. Convenience. Accessibility. Affordability. All of these are hallmarks of disruptive innovation.

## **Disruption drives growth**

Disruptive innovators have transformed numerous industries. My original research found that start-ups in the hard disk industry that followed a disruptive approach increased their odds of success sixfold. Moreover, when my colleagues at Innosight analyzed U.S. companies that had the highest market value when they broke through a billion in revenue, they found that more than half were based on disruption.

Put simply, our strong belief is that companies seeking to create new growth businesses should focus on disruptive innovation. Mastering the core concepts in disruption are not only vital tools in growth and innovation, but they can also help companies and managers spot and respond to disruptive attackers early.

## **In Pictures: Top 10 Disruptive Innovators Over The Last Decade**

*Clayton M. Christensen is a professor at Harvard Business School and the co-founder of [Innosight](#), a Watertown, Mass., innovation consulting company.*