

What is disruptive innovation and why is it important for business, but sometimes bad too

What is disruptive innovation and why is it important for business



This article is about '*what is disruptive innovation*' and why it's important to businesses around the world.

However, as we'll see further down in this article, it can also be bad for business too. If I mention the names Kodak or Blockbuster, then you'll know what I mean by this.

So what is disruptive innovation?

Disruptive innovation is what's used in business to describe an innovation that either creates a new market or disrupts an existing market.

For an [innovation to be disruptive](#) it must be so big that it disrupts the market to a large extent.

A leading American scholar specialising in innovation is [Clayton M. Christensen](#). Christensen *defines a disruptive innovation* as a product or service designed for a new set of customers.

However, these so called 'new customers' are often already customers. But they are customers of a different organisation who are selling different technology.

Disruptive innovation examples

Disruptive innovation is better explained by way of examples.

When the [entrepreneur Henry Ford](#) brought in the Model T Ford car to market, this was disruptive innovation at the time.

Innovation is not what causes the disruption. It's the mass implementation of the innovation that causes the disruption

The original invention of the car was not disruptive innovation. The first cars were too expensive and too rare to disrupt the existing transportation at the time. Which in this case was horse and carts. Innovation in its self is not the disruptor.

The implementation of the innovation becomes the disruptor and causes the disruption.

However, due to the fact that Henry Ford was able mass market and manufacture his new car on a production line, it made his car affordable to the masses.

The market was therefore disrupted.

It was Henry Ford's additional innovation to the original invention of the car that created the disruption to the transport market.

Alexander Graham Bells disruptive innovation

Another example of disruptive innovation is the invention and implementation of Alexander Graham Bells invention; the telephone.

The technology at the time was owned and run mostly by Western Union. This technology was telegraphy.

At the time of the innovation telephones were only useful for local calls, but this soon changed and telegraphy was replaced by telephones.

However, Western Union were the losers in this. They refused to pay Bell the £100,000 he wanted for his telephone patent at the time.

The rest is history.

Disruptive innovations in computers and high tech

Within the technology sector there have been many disruptive innovations.

These include personal computers. The innovation of personal computers was helped by Microsoft's Windows Software. Personal computers were made available to the mass market, whereas previously only min-computers and work stations were available.

Innovation brought the cost of personal computing down. Software made computers easier to use. Which created the perfect storm for market disruption.

Smartphones are disruptive technology

Smartphones are another disruptive technology, as these are replacing personal computers, laptops and PDAs. More and more internet searches are performed on smartphones, which is overtaking searches done on personal computers.

Smartphones are cheaper, more flexible and handy to use anywhere.

Amazon disrupted the book market

Disruptive innovation requires a risk taker who is willing to bring new technology or innovative ideas to the masses

[Jeff Bezos](#) is a disruptive innovator. If you look at what Amazon has done to the book industry. This is disruptive innovation at its best or worst, depending on your viewpoint.

This leads me on to the next point about how disruptive innovation takes vision.

This is why disruptive innovation takes entrepreneurs, as it takes innovators (or entrepreneurs) who are willing to take the risk.

Many have failed, but lots have succeeded.

Uber is to the taxi business as is Airbnb is to the hotel market – both are disruptive innovators

Two of the most recent disruptive innovators are Uber and Airbnb.

Both companies have been in the press over complaints about the markets they are disrupting.

Recently, Uber have been in the press about the disruption to the Black Cabs in London. Airbnb are always in the press with towns and cities around the world up in arms about how they have caused a change to the way people find and use accommodation.

In both cases the existing providers, which in this case are the Black Cabs and hotels, are resistant to the change.

However, for Uber in the UK, the Black cabs are fighting back with their own [app and technology](#). This is innovation and [entrepreneurship](#) at its best.

Ultimately, it's customers and end users that benefit from innovation.

When disruptive innovation is involved, markets change quickly and on a massive scale.

Disruptive innovation takes vision and creativity



It's always easy to look back with hindsight and see the innovation as obvious. However, at the time of the innovation, or just before its introduction, it's not so obvious.

In the disruptive innovation examples, I cited Jeff Bezos and Amazon.

Looking at how successful Amazon is now it would be easy to say his innovation was obvious.

However, at the time Amazon was started, Bezos's vision was not so obvious and his dream wasn't shared by all.

It's probably not shared by all now.

What Bezos has done to the book market is huge. He has turned the whole industry on its head.

Along the way he's upset many people. But also, as with any successful disruptive innovation, he's made many people and customers happy too.

Disruptive innovation is brought about by entrepreneurs

The reason why all disruptive innovation is brought about by entrepreneurs is due to the risk involved.

The [characteristics of entrepreneurs](#) is what's needed for any innovation to succeed. Some of these characteristics include tenacity, belief, determination, a risk taker, optimism, to have vision and creativity.

A creative mind is what's needed to come up with the idea. However, without the other characteristics, this is where the idea would remain...as an idea.

Disruptive innovation requires a risk-taker

For any idea to become reality, the creator must be willing to take a risk. The innovator or entrepreneur must also have belief and determination to follow their idea and innovation through.

The very fact that the innovation is disruptive means that it is a completely new way of serving either an existing market or a completely new market.

By its very nature, there will be plenty of resistance to fight, Uber and Airbnb are good examples of this.

There will be many obstacles in the way. This is where tenacity and determination come in.

Entrepreneurs find ways around obstacles.

What is incremental and disruptive innovation?

The main difference between disruptive innovation and incremental innovation is risk.

Incremental innovation is less risky than disruptive innovation, as it requires less of a change. However, there are always exceptions to every rule, please read on to find out.

Incremental innovation is a continual change or improvement to products or services.

These continual improvements include adding new features, reducing costs, or by making the product or service better, fast, smaller etc.

Low risk incremental innovation carries the potential of high risk of new disruptive innovation

Having explained the lower risk that's associated with incremental innovation, there can sometimes be a higher risk associated with this approach too.

A good example of this is Kodak.

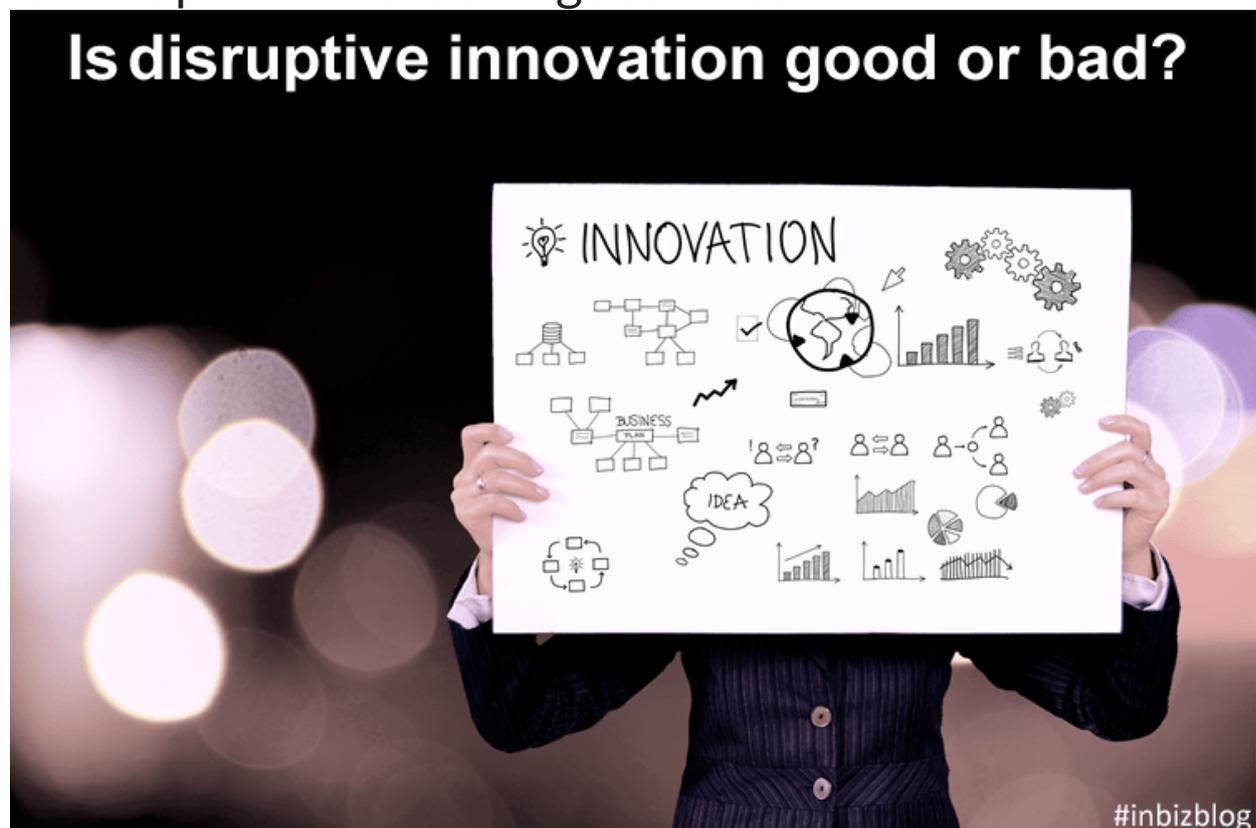
Kodak led the photography industry for years with continual improvements to traditional film. However, when the disruptive innovation of digital cameras were introduced and revolutionised the way people take pictures, this made Kodak's products obsolete, almost overnight.

Another example of low risk incremental innovation failing an industry is in the video market.

With new companies like of Netflix entering the market, companies like Blockbuster went out of businesses very fast.

A similar change happened to the music industry. Stores like HMV soon went into liquidation when the sale of CD's dried up.

Is disruptive innovation good or bad?



The answer to the question 'is disruptive innovation good or bad?' is debatable.

From the viewpoint of the businesses that is adversely affected by disruptive innovation, and the employees who lose their jobs, it is bad.

But for progress and innovation it's good.

Man is always striving for bigger, better, smaller, stronger, faster, cheaper etc. And whilst that is the case, and I don't see this changing any time soon, disrupters will always exist.

Is it good for the planet? Again, this depends on the type of disruptive innovation that's being released.

Disruptive technology that is good for the planet is a good thing, for example, innovation in the energy markets is needed to save the planet from global warming.

However, the debate over the ever advancing technology of smartphones and the like is still raging. The human body, and in particular the human brain, is thousands of years old.

But the brain is expected to cope with the ever increasing signals and information that gets thrown at it. This increases year after year with ever advancing technology.

Is this a good thing? Not sure.