The Innovator’s Solution: Creating and Sustaining Successful Growth

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The Innovator’s Solution (Harvard 2003) takes up where Clayton Christensen left off in his previous book, The Innovator’s Dilemma (Harvard 1997). In his 1997 recounting of the dilemma, the author explained that well-managed companies appear inevitably to decline as they fail to take advantage of new ideas that will be disruptive to their own current business models. To avoid the decline and prove it is not inevitable, they argue that successful companies need to behave differently.

In her review of The Innovator’s Dilemma in the June 2001 issue of Best Practices, Ginny Redish summarized Christensen’s advice:

FOUR PRINCIPLES FOR SUCCESS

Christensen says that successful companies can foster their disruptive innovators and reinvent themselves into the new world that the innovative technology will eventually bring. Those that have succeeded have followed these four principles (paraphrased from Christensen, page 99 and Chapters 5 through 8):

♦ Put the project in an independent, autonomous unit that is allowed to have its own value system, its own customers, its own budget, its own profit margin—and that is often geographically away from the main organization.

♦ Put the project in an organization that is small enough to get excited about small opportunities and small wins.

♦ Recognize that the first attempts are most likely to fail. Assume that it will take an iterative process of trial and error to find the right product and the right market. Do not believe forecasts. Do not gear up for huge production until you have been through a few rounds of experimentation.

♦ Assume that the new technology will start out with a new market that values what makes this different from what your mainstream clients want now.

♦ Christensen and Raynor expand upon and provide evidence for the efficacy of this advice in the 2003 book. In fact, they provide a theory-based plan for CEOs and other senior managers to pursue to achieve growth.

Now, unless you’re the CEO, you’re probably wondering what value The Innovator’s Solution has for you as a manager in an information-development organization. How likely is it that an information developer will have an opportunity to pursue an innovation that is incrementally different from the company’s previous business? In fact, how often can we pursue innovations that are recognized as being responsible for advancing our corporation’s business in its traditional markets, which Christensen refers to as a “sustaining” rather than a “disruptive” innovation?

Christensen provides the solution for information managers to move into the mainstream of company innovation. The key is to understand the role we might play in disruptive innovation.

First, however, we should examine the differences between sustaining and disruptive innovations. Sustaining innovations are well known to most of us, since we tend to work in mainstream companies that have been in business for a relatively long time. Sustaining innovations represent the progressive improvements our companies make to products in response to the demands of existing customers. The best customers tend to be those that buy our most expensive, state-of-the-art products with all the latest bells and whistles included. These mainstream customers help our companies generate healthy profits by continuously moving upmarket toward large customers willing to pay premium prices for better products—that is, until the products become too good.

Christensen explains that innovation along the sustaining model cannot last. Soon enough, customers get all the capabilities they are willing to pay for. More features and functions, as we well know, simply are not that attractive. The products pretty much do what they are needed to do as they are today. When you find that customers are not anxious to install the latest and greatest version of your product, you know you’ve probably reached the limit of the sustaining model. At that point, a company’s mainstream product becomes a commodity in which the list of features and functions is duplicated by all the competitors. At that point, cost efficiencies are the only ways that our companies have to manage profitability. We find, in fact, that commodity products are most likely to be outsourced for continued development and production, including, but not limited to, the outsourcing of technical publications.

Disruptive innovations work differently and are most often pursued by newcomers to the market, those companies hoping to win market share away from the big, dominant players. Disruptive innovations are those that successfully implement simple, more convenient products that cost less and appear to a
new set of customers. In fact, many of the large companies that we work for started life as disruptive innovators.

Christensen goes on to divide disruptive innovations into two categories: those that are low-end disrupters and those that are new-market disrupters. Low-end disrupters are familiar to all of us when Wal-Mart comes to town. Wal-Mart sells products as cheaply as possible, undercutting and disrupting many of the small businesses that had started happily in our communities. New-market disrupters look for the non-consumers, people who might use an innovative product if it were convenient and reasonably priced. For example, Christensen points to Canon and its desktop copier business as an example of a new-market disrupter. Canon made photocopying convenient by selling reasonably priced copiers that could be housed in individual departments or offices.

Here are the questions that Christensen suggests we ask about customers:

- Are there customers out there who don’t have the skills, money, or equipment to do a particular job for themselves?
- To use a product, do customers have to do something that is inherently inconvenient for them, like going to a central location to use the copy machine?

Think about desktop publishing in these terms. As Mark Baker pointed out in his February 2004 article, information developers wholeheartedly adopted desktop publishing technology in the mid 80s. Before desktop publishing, if we wanted a professional, typeset look for our publications, we had to use the services of an expensive and relatively inconvenient professional typesetter. Most of the time, the cost of the typesetter was high enough that we were forced to choose typewriter-style output for our technical publications. Even buying our own typesetting equipment and learning how to use it was outside the capabilities of most departments.

Desktop publishing became a new-market disrupter for typesetting. It was reasonably inexpensive and easy to learn. It allowed us to produce professional looking publications right in our own departments. Desktop publishing was so effective a disrupter that most typesetting businesses are gone.

Discovering products that will appeal to customers who are underserved by current products is not an easy task. However, information developers, if they are actively engaged with actual customers, may be in an excellent position to identify new-market disruptive innovations.

Christensen notes that over 60 percent of new-product development efforts fail. He insists, however, that the failures are not random and are both predictable and avoidable. He advocates abandoning traditional methods of segmenting markets that lead almost invariably in the wrong direction with regards to innovation.

Traditional market segments are identified by attributes of the product and the customers. Product attributes as market segmenters result in long lists of features and functions. The thinking goes that if we add more features to a product, it will attract more customers. See the addition of digital cameras to cell phones as a product-focused innovation. Customer attributes as market segmenters result in demographic categorization of customers. We are told, for example, that a particular set of young, male, upwardly mobile, MBA-type customers will want pocket-sized PCs that act as extensions of their desktop models.

Christensen argues that these representations of markets are inadequate to support disruptive innovations. He asks us to focus instead on circumstance-based categorizations that state explicitly what features, functions, and market positions will “cause customers to buy a product.” Our ability to predict with confidence how a product will succeed is based upon our thorough, in-depth understanding of customer behaviors.

In keeping with the principles of user-centered design, Christensen argues that customers have jobs they need to get done, and they elect to hire our products or services to get the job done.

“Companies that target their products at the circumstances in which customers find themselves, rather than at the customers themselves, are those that can launch predictably successful products. Put another way, the critical unit of analysis is the circumstance and not the customer.”

Disruptive products provide ways for people to hire the products to get a job done that has been impossible before. The example provided is the BlackBerry, the handheld wireless e-mail device manufactured by CIDM member, Research in Motion (RIM). RIM, Christensen argues, gained a “disruptive foothold [by] competing against nonconsumption by bringing the ability to receive and send e-mail to new contexts such as waiting lines, public transit, and conference rooms.” By observing that customers were trying to fill in unproductive snippets of time, RIM found the circumstances, the job to be done, that would bring people to their product. Instead of producing yet another handleless wireless device like the Palm Pilot (competing against product features) or developing a product for the business traveler (competing against customer demographics), the company has taken another path. By watching people use BlackBerries, Christensen sees them filling bits of otherwise unproductive time by accessing email. He sees RIM competing, not against other electronic devices, but against the newspaper or the CNN Airport News or a boring meeting.

When information developers focus on the customer,
especially when the customer is trying to learn what he or she may want to do with a product, we can learn not only what might make the information more useful but we might also recognize opportunities that are not being served by the current product. We find, for example, many customers who choose not to use our products at all or who use only minimal functionality. Perhaps such customers would be better served by a low-end disruptive product at significantly less cost and with far fewer complicating features. We may also find customers who are in circumstances not served by our current products and who are looking for different solutions for different needs.

One might expect marketing professionals in our companies to be on the lookout for opportunities to create disruptive innovations. However, marketers frequently focus on the behaviors of buyers rather than the behaviors of users of the product. Information developers, in coordination with usability professionals when they are available in a company, are better placed to note the real circumstances and the real jobs that the customers are trying to do. Of course, the dilemma surrounding innovative and disruptive ideas is the difficulty of selling them in traditional organizations, especially when the ideas come from people who are not considered to be in the mainstream of idea generation.

How might information-development managers respond to Christensen’s crusade to change the way existing companies pursue innovation? The best way possible is to pay close attention to those who are trying or trying not to use the products. I recommend The Innovator’s Solution as essential reading for our CIDM members and Best Practices subscribers.