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Debunking Disruptive Innovation

Why Disruptive Innovation is Not a Strategy

By Soren Kaplan

In 1998, when I was running the strategy group at HP, we invited Clayton Christensen, the iconic Harvard professor who wrote *The Innovator's Dilemma* and coined the term "disruptive innovation," to come speak to us.

We asked him a simple question, "How do you do disruptive innovation?"

His answer: "I don't know *how,* I just know how to *describe* it."

Christensen definitely described it well. He shared compelling examples. He argued that companies, and entire industries, can be "disrupted" by unforeseen competitors – new entrants that offer up products or technologies at a fraction of the cost yet with equal or greater benefits compared to current options. The result? Customers abandon the old way and move to the new. Industry leaders die. New leaders arise. Wealth is destroyed and created all in the same breath. Disruption occurs.

Although I left HP a few years after that, Christensen's words stuck with me.

Fast forward to today.

Disruptive Innovation is Business' Biggest Paradigm

Just about everyone wants – or thinks they need – innovation. No wonder why the *Wall Street Journal* reported that 255 books were recently published with the word "innovation" in their titles – in a *three month period.* Many of these reinforce the disruptive mantra.

Disruptive innovation is an intuitive concept. Mostly because we've seen the recent casualties of disruption: Kodak; Blockbuster; Borders; Blackberry.

And most of us want to avoid a similar fate ourselves. Or better yet, reap the benefits associated with *being* the disruptor. Like Netflix, Amazon, and Apple. Disruptive innovation – or avoiding it – is now a widely embraced business imperative.

Old Idea, New Language

Few people know that the fundamental concept of disruptive innovation wasn't new when Christensen introduced it. In 1942, Joseph Schumpeter, an Austrian-American economist, described the dynamics of "creative destruction" – essentially the same thing as disruptive innovation.

Jump forward to 1994. MIT's James Utterback published *Mastering the Dynamics of Innovation* which described how the "ice harvesting industry" was displaced by "ice boxes" (aka refrigerators), how manual typewriters were stamped out by IBM's Selectric electric typewriter, and how something called "electronic imaging" technology could pose a big threat to film-based photography, and Kodak specifically (it did).

All this was years before *The Innovator's Dilemma* made it onto the scene.

What this previous research didn't have, however, was a catchy term like "disruptive" to tag onto the word innovation, not to mention Harvard University's marketing machine. The rest is history. Disruption is our lens.

Most people familiar with the research on innovation also know about "paradigms." Paradigms are mental models that contain unquestioned assumptions about how things work. The world is flat. The sun revolves around the earth. People get AIDS because God is punishing them for being gay. These assumptions are accepted as truths, until they're turned upside down and replaced with an alternative paradigm. Paradigms have, and will always exist. Just like "quality" and "reengineering" were the business world's lenses in the 1980's and 1990's, disruptive innovation is one of today's biggest paradigms.

Recently, one of Clayton Christensen's colleagues at Harvard University, Jill Lapore, chipped a crack in the disruptive innovation paradigm by challenging the theory in an article published by the *New Yorker.* Lapore argued that Christensen's theory isn't founded upon rigorous research. The concept, she said, has been used as an argument for blowing up the broken healthcare and education systems, which minimizes the fact that these long standing institutions are complex social services delivered by human beings, not just stale technologies ready to be displaced by the next big thing. Disruptive innovation, she argued, has become mindlessly equated with "progress" and therefore, allows the concept to be used as an irrefutable argument for change (in just about anything). Who wouldn't want *progress?* Disruptive innovation has become the ultimate ironclad defense to disparage the status quo.

> Disruptive innovation is one of today's biggest paradigms.

Whether you agree or disagree with all this, what matters is that the disruptive innovation movement has created a big problem for business.

Here's the issue: *Disruptive innovation isn't how innovation works in the real world when you're in the process of doing it – only in retrospect by storytellers.*

If Steve Jobs Didn't Try To Do It, Why Should You?

The reality is, most "disruptions" don't start out that way. Steve Jobs, arguably one of the greatest disruptive innovators of all time, said the same thing. "When we created the iTunes Music Store, we did that because we thought it would be great to be able to buy music electronically, not because we had plans to redefine the music industry."

Looking back, it's probably not too strong of a statement to say that Apple disrupted the music industry. But did Jobs and Apple know it was doing it at the time? No. Was it part of their strategy? No. They created iTunes because it felt like the right thing to do to add value to customers and the world. Simple as that.

Take two other modern day disruptors. Larry Page and Sergey Brin didn't start Google with the intention of transforming the Internet, buying YouTube, or launching Android. Their very first step – and what kicked off their journey – was all about finding a more effective way to prioritize library searches for academic research papers online. Yes, *library searches.* From there, they realized they could also index web pages. And, at first, they resisted including advertisements next to the search results. Good thing for them (and Google shareholders) they changed their minds.

When we set our sights on creating a disruptive innovation, we place unrealistic expectations on our organizations, employees, and ourselves. We lose sight of the realities that are inherent in the innovation process. It's like seeking fame for fame's sake versus simply having a great talent that leads to great performances – which then results in fame. It clouds our sense of what we're really doing.

If You Only Swing for the Fences, You Won't Score on Singles, Doubles or Triples

The theory of disruptive innovation can indeed be helpful for understanding how technology has played a disruptive role in shaping the business and competitive landscape. But when this is the dominant lens and you're obsessed with hitting home runs (or being homered upon), you miss a lot of other opportunities to score. Just take Kodak for example. About 10 years before filing for bankruptcy, in 2003, the company hired the head of HP's Inkjet printer business as a "big bet" to help them jump into the printer business as a response to rapidly falling 35mm camera and film sales. It took a single swing for the fences by trying to enter a billion dollar industry and become the low-cost provider of both printers and ink – the classic disruptive innovation strategy. It missed. Goodbye Kodak.

Ignoring the value of small changes in place of the big bet was a major complaint about the theory of disruptive innovation in that *New Yorker* article. So was the notion that disruptive innovation is being blindly applied to "industries" like education where the theory isn't relevant. Both arguments have merit.

Small tweaks, gelled together with the right mindset and approach, are oftentimes what actually add up to big breakthroughs.

Unlike disruptive innovation, "incremental innovations" are minor tweaks to existing products or services in the form of new colors, flavors, features, benefits, or aspects of the customer experience that are fairly quick and easy to do. The principle behind "incremental" is much more strategic and goes much deeper than the term suggests. Small tweaks, gelled together with the right mindset and approach, are oftentimes what actually add up to big breakthroughs.

Dave Levin and Mike Feinberg, two former teachers with the Teach for America program, founded KIPP and created a network of 100 inner city charter schools with over 27,000 students that's producing off the chart results. Just like Steve Jobs had wanted to do something *basic yet great* (e.g., buy music electronically), so did Levin and Feinberg – *to create a school that truly works.* And Levin & Feinberg built it through incremental innovation, one tweak at a time.

These two ex-teachers paint a simple slogan in the hallways of their schools: *There are no shortcuts.* School starts at 7:30 AM and ends at 5 PM. Homework is usually about two hours per night. Teachers vow to make themselves available to any student any time of day or night, and most students don't hesitate to call teachers at home for help, since teachers freely dole out their personal numbers. Kids attend school two Saturdays a month and the KIPP school year extends three weeks into the traditional summer break.

Nearly every KIPP school in the county is located in an inner-city neighborhood. More than nine out of ten KIPP students are Hispanic or African-American. Seven out of ten of them live below the poverty line. Most enter the program performing well below grade level. Typically, less than ten percent of children with such backgrounds go on to finish college. KIPP students boast a ninety percent graduation rate – not from high school, *from college.* All this through hard work, determination, and *incremental* innovation.

Between incremental and "disruptive" innovation lies "sustaining innovation." Sustaining innovations aren't necessarily about big bets. But they're not about little tweaks either. They're about trying something that feels like a bit of a stretch, and then seeing what happens. If they work, they can "sustain" the business (and ideally grow it) into the long term. Sometimes they flop. But, now and then, they go big. When they do, sometimes the storytellers look back and call them "disruptive."

Taco Bell's Doritos Locos Taco is a taco with a giant Dorito tortilla chip as its shell. Sound crazy? In it's first 10 weeks on the market, Taco Bell sold 100 million. To date, Taco Bell has sold over half a billion, generated over $1 billion in sales, and has had its new product called the most successful fast-food menu item of all time. The Doritos Locos Taco wasn't meant to "disrupt" the traditional taco. And it didn't involve just an incremental tweak like adding a new spice to their taco meat either. It was a decent sized experiment that took a great deal of effort and that expanded the definition of "taco" for the world. And like most things that, in retrospect, look a lot like "disruptive innovations" (especially to McDonald's and Burger King), its success even surprised the very person at Taco Bell who developed and introduced it, Steve Gomez, who admitted, "I was blown away with how immediately popular Doritos Locos Tacos became."

Another company that has steered clear of disruptive innovation by going after modest sized opportunities is Fujifilm. Fifteen years ago, the company stood at the same starting line as Kodak. Today, Kodak is bankrupt while Fujifilm has a $16 billion market cap. We don't think about Fujifilm as a disruptive innovator. It isn't. But by most measures of success, they've weathered the storm and come out the other end quite successfully. They've continued their march toward adapting to the digital world by getting into 3D photography. They've entered dozens of new businesses ranging from television cameras, to medical products, to thin film packaging for candy. Disruptive innovations? No. Sustaining innovation was the savior – and the company's growth engine.

In today's innovation-obsessed world, "disruption" encapsulates the Holy Grail. Incremental and sustaining innovations are the all-too-often overlooked steps that lead you there. Christensen's theory is fundamentally about *technologies* and *products.* The real world rewards those who build new business models, extend brands, create new channels, find new markets, redesign customer experiences, re-invent business processes, and other stuff that most seasoned innovators know truly shape the future.

Keep the Ivory in the Tower

When business fads work their way into common sense thinking, we lose sight of their limitations, as well as their value. Innovation will always be important. But it's also useful to recognize the difference between a theory that describes the past and what works in real life – especially when you're trying to navigate complex market dynamics and organizational challenges to create real change in the world.

We need to see through the veneer of today's disruptive innovation frenzy. Real innovators fall in love with big hairy challenges, solve meaningful problems, and create exciting solutions that customers never knew they needed. Those are the seeds of real opportunity. And if you do it well, someone might look back and say, "nice disruption."

Parts of this article adapted from the book *Leapfrogging.*

Author

Soren Kaplan is the author of two bestselling and award-winning books, ***Leapfrogging*** and ***The Invisible Advantage.*** He is a former corporate executive, an affiliated professor at USC's Center for Effective Organizations, and founder of InnovationPoint. Based in San Francisco, he delivers keynote speeches, leadership development, and consulting on business strategy and innovation throughout the world.