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CLAYTON CHRISTENSEN

# THE INNOVATOR'S DILEMMA

## **WHY DO SUCCESSFUL COMPANIES FAIL SUDDENLY?**

Why is it that good, well-managed, competitive, astute, customer-centric, aggressive and visionary companies lose market dominance?

What is it that these companies can do to survive disruption and, surmount the barriers that mainstream management and leadership paradigm doesn't solve?

What can you do to make sure that your people and teams ask the right questions and while finding answers to these questions, turn your business around?

Clayton Christensen may have some answers for you in *The Innovator's Dilemma*.

# THE INNOVATOR'S DILEMMA

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**ALL WELL-MANAGED COMPANIES FAIL IRRESPECTIVE OF THEIR SECTOR OR INDUSTRY.** AT SOME POINT, THEY EVEN LOSE SIGNIFICANT MARKET SHARE, SO MUCH SO THAT THEY MAY NEED TO SHUT DOWN.

FOOD FOR THOUGHT – WHY?

Almost universally, the decisions that lead to failure are always made when the market leaders were already regarded as one of the best companies in the world.

**Is the reason, bad management? Study proves it's not.**

Then Why? Because **good management is only situation appropriate.** Hence, in markets undergoing disruption, alternative principles of management need to be used.

**The key is NOT in fighting or ignoring, the principles of disruptive innovation.** Instead, businesses, no matter how large, how dominant, need to come to terms with how the world works beyond what their obvious context; and then accommodate these forces in their innovation efforts.



**The dilemma of whether to sustain or to disrupt is something that organizations need to watch out for and strike a balance.** It is important to strike a fine balance between what the market already needs, what can you provide them and what to classify as over-exposure. More than anything else, you need to keep an eye on the simple, better, cheaper products that emerge in non-mainstream market segments.

Disruptive products and technologies from emerging markets have the potential of taking the market share away from the leaders, because **market leaders underestimate the non-mainstream markets.** They are used to listening to their best customers, to focusing on improvement rather than creating a new market.

For that they need to observe, examine and commercialize a non-mainstream market. **By the time market leaders change, it's too late already!**

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THE MARKET LEADERS CAN SOLVE THIS DILEMMA BY FOLLOWING SOME SIMPLE RULES.

**01** Use principles of disruptive technology to your advantage, rather than ignoring or fighting them.

**02** Stop killing all those ideas that your customers don't want.

**03** Don't wait for someone to be able to commercialize that idea and scale it to a point where your customers start wanting it and then you can't provide it fast enough!



Small markets may not solve your immediate growth needs, but at some point, the current products will overshoot the performance that mainstream markets demand.

At such point, the disruptive technology (the underperformer of the current mainstream market), will become direct competition. Once two or more products start offering adequate performance, customer's expectation and selection criterion will change. They will want the new technology, product or service and you will lose market share.

So what do you do? **Don't rely overly on data**, because there is none available for disruptive ideas. Not yet.

**Markets that have not previously existed, cannot be analysed.**

Instead, **focus on discovery-based planning**. Begin with a presumption that forecasts and hence projects and strategies thus devised, are all likely to be wrong. Identify knowledge gaps and develop plans for learning. This approach may take time but will be very effective in confronting disruptive technologies with success.

Disruptive technologies are not bound to success.

Even with the best people working on them, they may fail. Often, it is because of the cultural differences between disruptive organizations and organizations with legacy.

**People are adaptable, organizational processes often are not.**

**The capability of an organization, in one context, is the disability of that organization in another context.**

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SO, IS THERE A SINGULAR METHOD TO DEAL WITH THE INNOVATOR'S DILEMMA?

OR IS IT JUST A METHODOLOGY TO STRATEGIZE ON HOW AN ORGANIZATION CAN DEAL WITH DISRUPTION?

**What are some other uncomfortable questions you will need to ask when you set out to deal with disruption?**

**01** Can you identify disruptive technologies that eventually replaced older products and industries? Can you repeat the process for your own industry? What is it that might replace your product / service in the next say, 50 or 10 years, or even earlier?

**02** Can you think of other disruptive technologies in other industries and figure out how or how not, will they impact your industry directly or indirectly? For instance, electric cars directly impact the automobile industry. However, in near or far future, they will impact the fuel industry as well, or even the spare part industry. How? Can you similarly think of a similar example in your business context?

**03** Can you think of companies that have upscaled themselves out of business? How could that be avoided? Also, consider if there are companies that have upscaled themselves 'into' the market to success. Is your company or business showing some of these patterns? How can these be avoided or encouraged strategically?

**04** In your industry, which markets can you identify that are emerging today, while their attributes, seem non-mainstream and insignificant to the mainstream markets. In such cases, which companies may emerge as leaders and which ones threatened? Is your company going through something similar in your industry?

**05** More than anything, think how other emerging markets, economies, industries affect your own market. Prepare yourself to manage the change in right time.

CONSISTENT BUSINESS GROWTH THROUGH DISRUPTION IS A FUNCTION OF EFFECTIVE CHANGE MANAGEMENT, EVERY TIME, WITHOUT FAIL.

**ASK QUESTIONS AND DISRUPT; OR PERISH.  
THAT IS THE TRUTH!**

