

INFORMATION SYSTEMS

27/04/15

CREATIVE DESTRUCTION

"Build a better mousetrap and the world will beat a path to your door!"

Faults:

Market Awareness: If nobody knows you exist and have built a mousetrap, no one will know that there is a path worth beating.

Actual needs: If people do not have a mouse problem, they do not need mousetrap.

Perceived Needs: People who have mice, but are not aware of their existence, will not be interested in mousetraps. Likewise people who think mice are "the cutest thing" are not good prospects.

Definition of Better: Will buy only if agree it is better. Someone who is style conscious may consider a mousetrap that is 10% more efficient at catching mice but 20% less attractive, to be inferior.

The Effect of Beating the path: Even if customers have real need, perceive their existence, and recognise your product as better, still may not beat a path to your door. If product is not superior or worth it, they won't bother.

Implications

Many companies left wondering: "We have a great product, why isn't the world beating a path to our door?"

Value In The Customers' Terms: value means different things to different people. Should you promote its technical specs or show that it is easy to use? Important to address all parties' concerns. Core: keep everyone happy.

Delivering the Message: must communicate these benefits.

Making Latent Needs Real: What if your product is needed but market participants do not perceive them? You must educate prospects about problem before you can sell them your product.

Beating the Path: Must make it easy for customers to buy your product. 50% or something always beats 100% of nothing.

Summary

- All other things equal - a product that offers equal value in the customer's eyes will win if you can better communicate its value.

- A product that is better in the customer's eyes will win even if it is

inferior in the product engineers eyes

-The easier you make it for your customer to buy your product, the more likely they will

Clayton Christensen: The Innovator's Dilemma

- Disruptive innovation key to achieving growth in fast changing world
- Industry giants focus on sustaining innovation and upgrading existing products, but by doing so are ignoring the regular customer and focusing only on the high paying one
- The disruptive innovator takes a different approach and offers simple, low-cost alternatives that focus on exactly what the customer is looking for.
- Disruptive innovator create new markets and reshape existing ones, successfully securing competitive advantage
- Innovator's dilemma comes from the idea that orgs will reject innovations based on the fact that customers cannot currently use them, thus allowing their ideas with great potential to go to waste

Schumpeter

- Also known as Schumpeter's gale creative destruction describes the process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one
- Refers more broadly to the linked process of the accumulation and annihilation of wealth under capitalism
- Capitalism is by nature a form or method of economic change and not only never is but never can be stationary
- The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumer's goods, the new methods of production, new markets that capitalist enterprise creates
- Process of creative destruction is the essential fact about capitalism. It is what capitalism consists in and what every capitalist concern has got to live in
- ICE EXAMPLE

- Dynamic processes inherent in a free (i.e. competitive) market
- Innovation the main driver of wealth
- Technology the enabler
- Technology the destroyer
- Evolutionary
- Incremental

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- New isn't always better
- Entrepreneurship isn't always innovation
- Innovation in time will be mechanical
- The entrepreneur will be eradicated
- Capitalism will become harder

Business Cycle

- The entrepreneur disturbs the equilibrium and is the prime cause of economic development which proceeds in cyclic fashion along several time scales
- Suggested a model in which the 4 main cycles Kondratieff (54), Kuznets (18), Juglar (4) and Kitchin (4) can be added together to form a composite wave form
- The answer is creative destruction

THE 6th K-WAVE

- In economics known as Super cycle 40-60 years

Steam → Grain → Oil → Car → Chips → Robot
gold.

Industrial age, age (energy) - land and flood of money

There is Destructive Destruction

- Monopolies and oligopolies → Traditional macro economic model and strategies based on "perfect form" competition
- Sustain market leadership by
 - cut costs → no cut
 - undercut competitors
 - Absorb them
 - Incapacitate them
 - Sue them
 - Thrown them
- Usually strong advocates of the free market?
- Boom and bust led as the norm → a sign of a stagnant economy

Disruptive Technologies

- e cigarettes 15% of tobacco industry
- Genomic and personalised medicine
- Energy extraction method
- Liquided gas fuel?
- LEDs
- Re-innovate

- Digital and cyberculture
- Software defined networking
- 3D printing
- Big Data
- Sea)
- Advanced autonomy
- Over the top content - online media - good bye RTE?

Social Media and creative Destruction

- Communication - less emails/letters
- Sharing of pictures in real time
- Advertising
- Job recruitment
- Social Activism
- Myspace/Bebo gone
- Continually being updated to keep up with pace, technology etc.

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CREATIVE DESTRUCTION

Creative Destruction: Schumpeter "process of individual mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, increasingly creating a new one"

Example: cassette replaced by 8-tracks, replaced by compact disc, replaced by MP3, which in turn will be replaced by new technology

Schumpeter: "process of creative destruction is the essential fact about capitalism"

Social media and creative innovation:

- Communication, less emails, letters
- Sharing of media - pictures in real time
- Advertising
- Job recruitment
- Social Activism
- MySpace, bebo gone
- Continually being updated to keep up with pace, destroying itself

Disruptive Technologies:

- eCigarettes
- Genomics and personalized genome medicine
- Energy extraction methods
- LEDs
- Digital and Cryptocurrencies
- Software defined networking - eradicated legacy system
- 3D printing - for teeth etc, job loss
- Big Data
- Over the top content - online media - TV
- Advanced automation

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Creative Destruction - build something which will inevitably be destroyed

Clayton Christensen - innovator's dilemma (creative destruction)

Big companies keep adding bells and whistles, new company will undercut with simpler product cheaper

Schumpeterian cycle - creative hurricane in economics

Nikky says still always moving

marx \Rightarrow capitalism from one crisis to another