DISRUPTIVE THINKING AND INNOVATION

Types of Innovation

The following are the different types of innovation:

- **Process Innovation** – A change in how a product or service is manufactured, created, or distributed to achieve greater efficiency.

  EXAMPLE: Zara, a clothing line by Amancio Ortega, does not spend money on commercial advertisements. Instead, they spread their brand through verbal communication between customers and with their labels only on their bags. It goes hand in hand with their innovative manufacturing process: only 15-25% of clothes are produced before the season and 50-60% at the start. All other garments are made during the season according to the customers' wishes. This process allows them to respond quickly and send clothes to their shops (Schoultz, 2019).

- **Product/Service Innovation** – Creating new ideas that do not alter established business models.

  EXAMPLE: Cicret Bracelet, which looks like a wearable fitness band, is a waterproof bracelet that contains a projector. The app projects all the visuals from a smartphone onto the arm, from which the user can touch and manipulate the image, just like a smartphone. It includes answering calls, surfing the web, searching for the weather, setting the alarm, looking for directions, etc. (Cicret Bracelet, n.d.)

- **Disruptive Innovation** – Introduces a new value proposition. It either creates new markets or reshapes existing markets. There are two (2) types of disruptive innovations: low-end and new-market. It is any situation in which an industry is shaken up, and previously successful incumbents stumble.

  Low-end disruptive innovations can occur when existing products and services are "too good" and hence overpriced relative to the value existing customers can use.

  EXAMPLE: Netflix offers technologically integrated access to all types of video entertainment. Its initial service was not appealing to Blockbuster's (an American-based home movie and video game rental provider) mainstream customers, who wanted instant gratification when choosing movies. As Netflix's quality improved, so did its appeal to Blockbuster's customers, who eventually peeled off in high enough numbers to force the incumbent business into bankruptcy in 2010.

  New-market disruptive innovations can occur when existing product characteristics limit the number of potential consumers or force consumption to occur in inconvenient, centralized settings.

  EXAMPLE: Skype is a low-cost telecommunication service that allows customers to call and message on the same interface more conveniently and for a fraction of the price of traditional telecommunication services.

Disruptive Innovation Theory

Disruptive innovation describes inventions that make products and services more accessible, affordable, and available to a larger population. The following are the four (4) points to identify disruptive innovation:

1. **Disruption is a process.** The term "disruptive innovation" is misleading when it refers to a product or service at one fixed point rather than to the evolution of that product or service over time.

   EXAMPLE: The first minicomputers were disruptive not merely because they were low-end upstarts when they appeared on the scene nor because they were later perceived as superior to mainframes in many markets. They were disruptive by their path from the unconventional to the mainstream.

2. **Disrupters often build business models that are very different from those of incumbents.** Consider the healthcare industry. General practitioners operating out of their offices often rely on their years of experience and test results to interpret patients' symptoms, make diagnoses, and prescribe treatment. It is called a "solution shop" business model. In contrast, several convenience care clinics are taking a disruptive path by using the "process" business model: They follow standardized protocols to diagnose and treat a small but increasing number of disorders.

   EXAMPLE: Apple's iPhone. The product that Apple debuted in 2007 was a sustaining innovation in the smartphone market. It targeted the same customers coveted by incumbents, and its initial success is likely explained by product superiority. The iPhone's subsequent growth is better explained by disruption – not of other smartphones but the laptop as the primary access point to the internet. It was achieved not merely through product improvements but also through the introduction of a new business model. Apple changed the game by building a facilitated network connecting application developers with phone users. The iPhone created a new market for internet access and eventually challenged laptops as mainstream users' devices of choice for going online (Bajarin, 2022).

3. **Some disruptive innovations succeed; some don't.** A third common mistake is to focus on the results achieved – to claim that a company is disruptive by its success. But success is not built into the definition of disruption: Not every disruptive path leads to a triumph, and not every triumphant newcomer follows a disruptive way.

   EXAMPLE: Many internet-based retailers pursued disruptive paths in the late 1990s, but only a few prospered. The failures are not evidence of the deficiencies of disruption theory; they are simply boundary markers for the theory's application. The theory says very little about how to win in the foothold market other than to play the odds and avoid head-on competition with better-resourced incumbents.

4. **The mantra "disrupt or be disrupted" can misguide people.** Incumbent companies need to respond to the disruption if it occurs, but they should not overreact by dismantling a still-profitable business. Instead, they should continue strengthening relationships with core customers by investing in sustaining innovations.

   EXAMPLE: Companies may create a new division focused solely on the growth opportunities that arise from disruption. Some research suggests that the success of this new enterprise depends on keeping it separate from the core business. For some time, executives will manage two (2) very different operations.

References

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