Disruptive Innovation

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Outline

- Introduction and Examples
- Conceptual Framework
- Barriers to Disruptive Innovation
- Vodaphone
What is Disruptive Innovation?

- Originally described by Clayton Christensen in *The Innovator’s Dilemma* (1997)
- Disruptive innovations begin as lower quality and less desirable versions of existing products and services
- As they improve, gain attention of main customer population
- Often supplant existing products and services
Christensen’s Disruptive Innovation

Established Market

Disruptive Business

boundaries of market have changed

area of disruption

new wealth creation
Examples of Disruptive Innovation

- Transistor radios
- Ryanair
- Mobile phones
- Community colleges
- Online services (banking, travel, education)
Case 1: Transistor Radios

http://www.slideshare.net/Christiansandstrom/jealous-of-her-transistor-radio-presentation
Case 2: **RYANAIR**

- Offered low-price, point-to-point fights
- Incumbent airline companies (i.e. British Airways) saw no threat to their higher-quality services
- As Ryanair improved in quality, and as people started noticing Ryanair’s low prices, a new standard in the air travel market was created
- Ryanair is now more utilized than British Airways
Case 3: Mobile Phones

- An example of a disruptive innovation that is being further disrupted within itself
- Mobile phones have all but replaced landlines
- Innovations within mobile phone technology are now emerging
  - Cheaper, entry-level phones (Nokia 1100) are increasingly popular over fancier, more expensive phones (similar trend to Ryanair)
Harnessing Disruptive Innovation

- Disruptive innovation can be a good thing

- Organizations need to recognize disruptive innovation
  - As a source of advancement
  - As a potential threat

- Thomond, Herzberg and Lettice (2003) investigate some ways that companies do this
Conceptual Framework of Disruptive Innovation
Opportunity Recognition

- “The Brainstorm”
- Generating ideas
  - “past, present and future” approach
- Reflect on past events
  - Reveals how other innovations occurred
- Awareness of current trends
- Thinking through possible scenarios
  - Reveals what may be useful in the future
Conceptual Framework of Disruptive Innovation
Opportunity Development

- “The Plan”
- Selecting ideas
- Focusing these ideas into probable plans of action
  - How can the organization arrange itself to incorporate the innovation?
  - What is the “path to disruption”?
    - Target markets/niches
  - $$$???
Conceptual Framework of Disruptive Innovation
Solution Development

- “The Setup”
- Bringing together the teams and processes that will best locate target niches and deliver the innovation
- Fleshing out ideas into pre-manufactured and pre-commercialized products and services
Conceptual Framework of Disruptive Innovation
Exploitation

- “The Action”
- Selects the best set-up innovations and creates marketing and distribution channels
- Starts making long-term plans for the innovation
- Also a last checkpoint
  - Will the innovation be desired by the target niche market?
  - How will incumbents react to the innovation?
  - Will this be detrimental if it fails?
And now to Matt...
Barriers to Disruptive Innovation

- Four main barriers identified by a consortium of upper management people from various companies across the world
  - Strategic importance of disruptive innovation is not understood
  - Inability to generate disruptive concepts
  - Inappropriate funding
  - Product development routines cater to continuous innovation
Strategic Importance Not Understood

- Organizations are unaware of the importance of disruptive innovation
  - Can’t see it’s value
  - Can’t see it’s threat

- Cause of downfall of British Airways
Inability to Generate Disruptive Concepts

- Organizations don’t contain the brainpower or resources to come up with ideas for disruptive innovations
- Can’t move forward with an idea if there’s no idea to begin with
Inappropriate Funding

- Not enough money
- Money isn’t flexible
- People with the money aren’t flexible
Product Development isn’t Conducive to Disruptive Innovations

- A certain level of flexibility is required to deliver disruptive innovations.
- If an organization has a set process of product development, it may not accommodate new disruptive innovations.
- Need to acquire an open-minded mentality.
And now...

An Arnold-Hamilton Production:

Office Disgrace
Case Study: Thomond, Herzberg and Lettice (2003) investigated some of the ways Vodaphone dealt with these barriers.

- Vodafone Pilotentwicklungen GmbH (v-pe) is a part of R&D that handles new technologies and applications.
  - Have to deal with undeveloped technologies, customers with unsure future needs.
- Disruptive innovation is part of their daily activity.
Case Study: Vodafone

- Vp-e will redefine its technological strategy to fit disruptive innovations
- “v-pe academy” enables employees, students and external partners to exchange and discuss ideas, projects and interesting topics surrounding daily work
- Stakeholders partake in these discussions, facilitating knowledge in information flow
Case Study: Vodafone

- ‘ide[e]fix forum’, every 4-6 weeks
- No-doors architecture
- Employees present potentially innovative ideas/fragments of ideas
- These presenters communicate with promoters from outside their normal working network to illicit and refine ideas
- Strategically interesting ideas are presented to business management
Case Study: Vodafone

- V-pe focuses on adequacy and originality of ideas/innovations

- Innovations cannot develop to term if they aren’t adequate
  - Thus, vp-e is aware that the adequacy and originality of proposed ideas may not be apparent at first
Case Study: **vodafone**

- “Business plan light” is a tool used by v-pe allowing employees to present ideas in one step

- Allows for quick and easy evaluation of fiscal and logistical aspects of a potential innovation
In Conclusion…

- Disruptive innovation begins as less desirable, but eventually creates a new paradigm shift
- Harnessing disruptive innovation is a process, from generating ideas to putting these ideas into action
- Certain barriers exist to disruptive innovation
- Vodafone exemplifies ways to overcome these barriers
Issues to Discuss

- Vodafone is a large organization
  - Has separate R&D division
- How would smaller companies overcome barriers to disruptive innovation?
- What other barriers to disruptive innovation may exist?
Thanks!!!