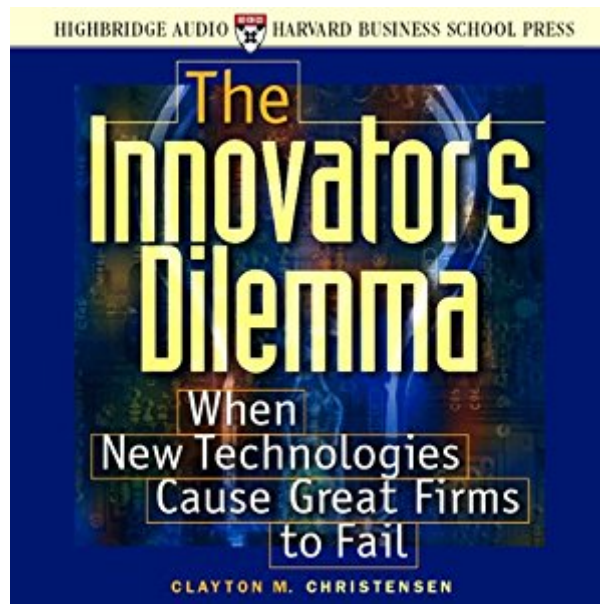


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# The Innovator's Dilemma: When New Technologies Cause Great Firms To Fail



## Synopsis

Named one of 100 Leadership & Success Books to Read in a Lifetime by Editors A Wall Street Journal and Businessweek bestseller. Named by Fast Company as one of the most influential leadership books in its Leadership Hall of Fame. An innovation classic. From Steve Jobs to Jeff Bezos, Clayton Christensen's work continues to underpin today's most innovative leaders and organizations. The bestselling classic on disruptive innovation, by renowned author Clayton M. Christensen. His work is cited by the world's best-known thought leaders, from Steve Jobs to Malcolm Gladwell. In this classic bestseller—one of the most influential business books of all time—innovation expert Clayton Christensen shows how even the most outstanding companies can do everything right—yet still lose market leadership. Christensen explains why most companies miss out on new waves of innovation. No matter the industry, he says, a successful company with established products will get pushed aside unless managers know how and when to abandon traditional business practices. Offering both successes and failures from leading companies as a guide, *The Innovator's Dilemma* gives you a set of rules for capitalizing on the phenomenon of disruptive innovation. Sharp, cogent, and provocative—and consistently noted as one of the most valuable business ideas of all time—*The Innovator's Dilemma* is the book no manager, leader, or entrepreneur should be without. --This text refers to the Paperback edition.

## Book Information

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## Customer Reviews

This is a book about successful, well-led companies -often market leaders- that carefully pay

attention to what customers need and that invest heavily in new technologies, but still lose their market leadership suddenly. This can happen when disruptive technologies enter the stage. Most technologies improve the performance of existing products in relation to the criteria which existing customers have always used. These technologies are called sustaining technologies. Disruptive technologies do something different. They create an entirely new value proposition. They improve the performance of the product in relation to new performance criteria. Products which are based on disruptive technologies are often smaller, cheaper, simpler, and easier to use. However, the moment they are introduced, they can not at once compete against the traditional products and so they cannot directly reach a big market. Christensen researched how disruptive technologies have developed in the computer disk industry, an extremely rapid evolving industry. He identified six steps in the emergence of disruptive technologies:

1. Disruptive technologies often are invented in traditional large companies. Example: at Seagate Technology, the biggest producer of 5,25 disks, engineers in 1985 designed the first 3,5 disk.
2. The marketing department examines first reactions from important customers to the new technology. Then they notice that existing customers are not very interested and they conclude that not a lot of money can be made with the new product. Example: this is what happened at Seagate. The 3,5 disk's were put upon the shelf.
3. The company keeps on investing in the traditional technology.

In *The Innovator's Dilemma*, Clayton Christensen describes the dynamics by which some of the largest, most successful companies in America fail due to "good" management. In his analysis, firms that dedicate themselves to listening to and serving their customers the best, place themselves most at risk for future failures as they are overtaken by smaller upstart competitors with innovative technologies. *The Innovator's Dilemma* makes a compelling argument based on the author's study of the computer disk drive industry. Disk drive manufacturing was chosen for its frequent turnover of technology and competitors in a relatively short timespan. Christensen places technological innovations in two categories: sustaining and disruptive. Sustaining innovations are those that help sustain an organization's existing customer base by improving the performance, capacity, reliability, or value of an existing product technology. Disruptive innovations produce products that are technologically inferior from the perspective of a firm's existing customer base. Disruptive products, however, may include improvements that, while unimportant to the existing market, hold potential for new and emerging markets. Christensen uses the example of the introduction of small 50cc Honda motorcycles in the late 1950's. From the perspective of the existing motorcycle market at the time, the Honda was inferior compared to larger, more powerful motorcycles such as Harley Davidson

and BMW. Honda found a niche, however, as a dirt bike - an emerging market that had not been explored by other manufacturers but was ideally suited for a small, inexpensive motorcycle.

We have all seen large, powerful, and successful corporations upstaged and driven out of business by startups using new ideas to grow exponentially and dominate the new business landscape. In his book "The Innovator's Dilemma," Clayton M. Christensen provides a unique and novel theory that explains why entrenched corporations often fail to capitalize on such new ideas, and fall prey to firms with fewer initial resources. With enough data and case histories to make even the skeptic sit up and take notice, Christensen sculpts an argument that demands our attention at once. Step by step he shows that such extinctions come about not necessarily because of arrogance and dogmatism (though these play their parts) but because of the architectural and organizational structures that make good companies good. Like Einstein's theory of relativity, with its concepts of relative time and space, some of Christensen's conclusions seem unintuitive. Others even seem contrary to physical reality. Sometimes it really is wrong to listen to your customers. Sometimes it is better to build a product with low margin and a limited market rather than build a product with high margin and large, virtually guaranteed market. Christensen builds his thesis upon the notion that technology comes in two broad flavors: sustaining and disruptive. Established product lines use sustaining technology to make incremental improvements. In the language of biology, sustaining technology facilitates gradual Darwinian evolution where incremental improvements coupled with survival of the fittest lead to gradual product improvement. For example, tire manufacturers use sustaining technology to enhance the tread, sidewall, and belt design of automotive tires.

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