BUSINESS INNOVATION FACTORY

Competing Against Non-Consumption: A Conversation with Clay Christensen

We recently sat down with BIF Research Advisor Clay Christensen who shared some great stories about the nature of disruptive innovation.

His second book, *The Innovator's Solution*, is a favorite with the BIF team. After our conversation, it occurred to us that companies, especially established companies, need to look at their growth strategy through a different lens. The strategies outlined in Clay's books seem almost fool-proof. So why is it so hard to achieve?

Disruptive Innovations Infiltrate Existing Markets in Surprising Ways

According to Clay, true disruption occurs when companies *compete against non-consumption*. "A new-market disruption is an innovation that enables a larger population of people, who previously lacked the money or skill, now to begin buying and using a product and doing the job for themselves," explains Clay.

If you're an upstart chasing after the non-consumer, the great news is that your audience is non-discriminating. They want something easy to use and they want it cheap. They're not expecting that same level of quality and performance. "Because," says Clay, "*something is so much better than nothing*."

Two of his classic examples of disruptive innovation are the detrimental effect steel mini-mills eventually had on the giants of the steel industry, and the infiltration of the personal computer into the world of the mainframe. *You can find these stories in chapters 2 and 4 of *The Innovator's Solution*.

Taking a leap into in the future, Clay shared with us a disruptive innovation story from the world of voice-recognition software. For years, he says, vendors such as IBM have been spending huge sums of money trying to convince administrative assistants and other heavy-users that they should give up their 90-word a minute typing skills and use voice-recognition software instead.

Their success into this market has been lukewarm. Why? Here's another disruptive innovation rule—it's impossible to cram a disruptive technology into the mainstream market. Right now the technology does not provide a better alternative to the current way of doing things. Certainly, through substantial research and development efforts, the technology will get incrementally better, but it's not enough to convince anyone to give up their current way of doing things.

Toy manufacturers, however, are finding tremendous success with voice-recognition software. From Manley Toys' Tekno the Robot Puppy, to Tiger Electronics Poo-chi, to LEGOS, consumers of these products have no problem with the performance and quality of the voice-recognition technology. Why? *Because it's so much better than nothing.*

Right now, our guess is that IBM hardly considers these companies to be a threat to their business. But if we project a bit, as the technology gets better, and consumer adoption takes hold, the upstream, infiltration process will begin.

Turning Threat to Opportunity

Intuitively, it's easy to see why start-ups have a much easier time chasing non-consumption. For them, it represents pure opportunity. For established companies, it's a wholly different story. Following a disruptive strategy involves fear, risk and potential cannibalization—"current customers are the lifeblood of the company, they must be protected at all costs," explains Clay.

Unfortunately, these fears, in the end, become self-fulfilling prophecies. So if you're an established company, what can you do? Don't fight the disruption. "New market disruptors have been a dominant engine of growth not just for shareholder value, but for the world economy," says Clay.

It may seem counter-intuitive, but in answering the disruptive threat, don't invest your dollars in trying to advance your existing technology to please your existing customers in your existing value network. In so doing, says Clay, "you force the disruptive technology to compete on a sustaining basis, and will nearly always fail."

Clay suggests shifting responsibility for answering the disruptive threat to an autonomous organization that can then frame it as an opportunity. A new organization can pursue alternative channels, utilize different suppliers, and employ different services. Most importantly, they can do this without hindering their current, and most likely profitable value network while also giving their new growth ventures a solid foundation for success.

BIF Research Advisor Clayton M. Christensen is the Robert and Jane Cizik Professor of Business Administration at the Harvard Business School, with a joint appointment in the Technology & Operations Management and General Management faculty groups. His research and teaching interests center on the management issues related to the development and commercialization of technological and business model innovation. Specific areas of focus include developing organizational capabilities and finding new markets for new technologies.