Business Growth Through Disruptive Innovations

Dr. Neha C. Modi*
Snehal Bawre**
Dr. Vishnu N. Mishra***

Abstract

*The term "**disruptive technology**" has been widely used as a synonym of "disruptive innovation", but the latter is now preferred, because market disruption has been found to be a function usually not of technology itself but rather of its changing application. Sustaining innovations are typically innovations in technology, whereas disruptive innovations change entire markets.*

One of keys to building a new market is through disruptive innovation. There are two ways in which disruptive innovation can be achieved. One way is by coming up with simpler products and services to meet the needs of those people who could not afford the more expensive versions of product or service. The other way is through sustaining disruptions. This is where an organization can improve on their current products and services. Disruptive innovation can either create new markets or by targeting the lower end of the market. This is through the creation of a newer context to the one in which previous products and services could meet the needs of the clients. However, when introducing a new product or service it would be important to come up with a new plan of business for that product or service. The idea is that we must not work to change the preferences and needs of our current customers but to make the products that meet the customers' needs. There are cases where integration is important and cases where specialization could be best. Lastly with a new product it is necessary to concentrate more on profitability aspect rather than aiming to have instant growth. This Paper will briefly look into disruptive innovation taken by business organization and how it will help them to grow

Keywords: *Disruptive Innovation, Disruptive Technology.*

Introduction: Harvard Business School professor named Clayton Christensen first wrote about what he termed disruptive innovation: "***A process by which a product or service takes root initially in simple applications at the bottom of a market and relentlessly moves up the market, eventually displacing established competitors.***" As companies tend to innovate faster than their customers' needs evolve, most organizations eventually end up producing products or services that are actually too sophisticated, too expensive, and too complicated for many customers in their market.

Companies pursue these "sustaining innovations" at the higher tiers of their markets because this is what has historically helped them succeed: by charging the highest prices to their most demanding and sophisticated customers at the top of the market, companies will achieve the greatest profitability.

Characteristics of disruptive businesses, at least in their initial stages, can include: lower gross margins, smaller target markets, and simpler products and services that may not appear as attractive as existing solutions when compared against traditional performance metrics. Because these lower tiers of the market offer lower gross margins, they are unattractive to other firms moving upward in the market, creating space at the bottom of the market for new disruptive competitors to emerge.

What are Disruptive Innovations?

Clayton M. Christensen from Harvard Business School quotes the Burgelman anecdote approvingly. Christensen has conducted groundbreaking research into innovation and one of his major findings is that major companies fail because they are listening to their customers and aim to channel their innovations into products that are positioned for high added value and high margin segments.

*Assistant Professor, Govindram Sekasaria Institute of Management and Research, Indore
**Assistant Professor, Govindram Sekasaria Institute of Management and Research, Indore
***Associate Professor, Govindram Sekasaria Institute of Management and Research, Indore

On the other hand, products that are "worse" and that do not at first meet the minimum requirements of major markets can later evolve into profitable segments never originally anticipated. What makes this theory interesting is that good managers who concentrate on their core business to create added value also inadvertently create the basis for losing the business in the long run by not concentrating on the low margin niche markets.

Concept: Disruptive innovation has been credited as the strategy that led to Japan's dramatic economic development after World War II. Japanese companies such as Nippon Steel, Toyota, Sony and Canon started out by offering inexpensive products that were initially inferior in quality to those of their Western competitors. This allowed the Japanese manufacturers to capture the low-end segment of the market. Over time they continuously improved the performance of their products and began to move up market, into segments that allowed them more profitability. Eventually, the Japanese companies captured most of these segments and in the process pushed their Western competitors to the very top of the market or completely out of it.

The disruption process that catapulted Japanese companies to industry prominence 40 years ago is about to play out again with companies from markets like China and India at the forefront.

A number of scholars have argued that a similar disruption process is brewing in today's emerging markets, especially in China and India. Numerous and less-well-known companies and entrepreneurs located in emerging markets are currently serving billions of local consumers with low-cost products without significant competition from global corporations that find these markets unprofitable. But once the local entrepreneurs establish themselves in their home markets, they should also make the leap into more developed countries. There, they will probably start with the low-end segments and gradually make their way up market. The fear among companies in more developed economies, therefore, is that history is about to repeat itself: The disruption process that catapulted Japanese companies to industry prominence 40 years ago is about to play out again with companies from markets like China and India at the forefront.

To be disruptive, a product has to meet two conditions: First, it must start out as inferior in terms of the performance that existing customers expect, but superior in price. As a result, existing customers will initially ignore it, but other customers (usually non-consumers of the incumbent products) will be attracted by its low price. Then, for a product to truly become disruptive, it must over time evolve to become “good enough” in performance (and so attract mainstream customers from the earlier generation of incumbent products) while at the same time remaining superior in price. In other words, it must become “good enough” in performance and superior in price.

For disruptors to have a chance of winning against incumbents, they must invest in improving the performance of their products while maintaining their significant cost and price advantages over the incumbents' products. Whether they will succeed in maintaining this advantage depends on the source of their cost advantage and how sustainable it is. If the source of the cost advantage is low labor costs or a reengineered product that requires fewer or cheaper components, incumbents can find a way of neutralizing these advantages. For example, if the source of the cost advantage is low labor costs, incumbents from higher-wage countries could transfer their manufacturing processes to India or China and so enjoy the same low labor costs.

A cost advantage is difficult to sustain over time, especially if incumbents cut their costs in an aggressive and committed way. However, there is one source of cost advantage that is more sustainable than others. This is the business model of the disruptors. Specifically, a cost advantage that comes on the back of a business model that is not only different from but also conflicts with the business model of the established companies is more sustainable than other cost advantages. This explains the success of low-cost airlines over traditional airlines as well as the enormous inroads that mini-mills have achieved against integrated steel mills.

Business models are difficult to imitate. What makes the task even more difficult for incumbents is the fact that the disruptors' business models often conflict with the incumbents' business model. When there are inherent conflicts between their traditional business model and the disruptor's business model, incumbents will think twice before attempting to imitate the disrupting business model. And even when they do adopt it — in a separate subsidiary, as often advised by academics – - they are likely to fail. It is possible for incumbents to respond successfully to disruptors that base their attacks on a different business model. But the task is very difficult, and most incumbents do not do a good job at it. This suggests that a cost advantage that's based on a different and conflicting business model is the disruptor's best chance to make inroads against incumbents.

The following is the list of disruptive innovation companies 2014:

1. Illumina
2. Tesla Motors
3. Google
4. Samsung
5. Salesforce.com
6. Dropbox

7. BMW
8. Third Rock Ventures
9. Square
10. Amazon
11. Tencent
12. Snapchat
13. Cree
14. Box
15. BrightSource Energy
16. Wal-Mart Stores
17. General Electric
18. Qualcomm
19. Kaggle
20. Second Sight
21. SpaceX
22. Kickstarter
23. Hanergy Holding Group
24. Siemens
25. 1366 Technologies
26. Uber
27. Evernote
28. Baidu
29. GitHub
30. Xiaomi
31. Oculus VR
32. Qihoo 360 Technology
33. Monsanto
34. Aquion Energy
35. IBM
36. Jawbone
37. Medtronic
38. Valve
39. Genomics England
40. D-Wave Systems
41. Siluria Technologies
42. Kaiima Bio-Agritech
43. Datawind
44. Freescale Semiconductor
45. Upworthy
46. LG
47. Expect Labs
48. AngelList
49. Arcadia Biosciences
50. Ripple Labs

Objective: This paper attempt to analyze how disruptive innovations can change the growth of various Business organizations.

Disruptive Innovations and Business Organization:

Procter and Gamble Co: Global FMCG giant Procter & Gamble has set its sights on innovation that creates entirely new categories, in a move which will see it triple its innovation output. The new wave of innovation planned for release in the near future could involve up to 30 new products and launches at triple the volume that the company produced in the last five years. Among the items the firm has already announced it will launch in early 2013 are Pantene Age Defy in the beauty category, Cascade Platinum dishwasher tablets that clean the inside of machines as they work, and Mach3 razors for sensitive skin.

Procter and Gamble Co., whose low-cost razor Guard was launched in India this past October as a substitute for “hundreds of millions of Indians who use double-edged razors”. Procter & Gamble didn't just launch new products, it created new product categories, from the first mass-produced disposable diapers to Crest teeth-whitening kits. That's one reason P&G has more than 1,000 Ph.D.'s among the 8,000 employees at its 26 innovation facilities around the world.

Godrej Chotukul: In India, leading manufacturer Godrej & Boyce wanted to reinvigorate growth in its venerable household appliance business. They find a way to attract non-consumers—the more than 80% of Indian households that lacked basic appliances such as refrigerators.

The idea to address the basic refrigeration needs of rural families in India began in 2006 at a disruptive innovation workshop led by Professor Clayton Christensen of Harvard Business School through Innosight.

The Innosight team of Godrej began its work by imagining living in a home without a refrigerator. Electricity is unavailable or unreliable in many rural parts of India, where families earning under $5 per day can't afford major appliances.

Could a community step up and help create a solution? Godrej Vice President G. Sunderraman led trips around rural India, observing the daily routines of villagers. Using our "jobs-to-be-done" approach, he and the Innosight team witnessed how rural consumers purchased, prepared and stored food and drink.

They concluded that these homes didn't need cheap refrigerators. The "job" was much more basic. People needed an affordable way to keep milk, vegetables and leftovers cool for a day or two—both at home or away. This job is urgent in a country where a third of all food is lost to spoilage, according to the United Nations Commission on Sustainable Development.

Godrej developed prototypes for feedback at "co-creation" events. In a straw poll of 600 women in the village of Osmanabad, the community voted to make the product red, the color of harmony and bliss.

From this effort came the ChotuKool, or "little cool" in Hindi. A disruptive innovation for the base of the economic pyramid, ChotuKool has been called "the Tata Nano of appliances," in a reference to India's super-compact car.

Instead of traditional compressors, ChotuKool is based on a thermoelectric chip that maintains a cool temperature on a 12-volt DC current or an external battery. The unconventional opening ensures cold air settles down in the cabinet to minimize heat loss and power consumption. The unit is highly portable, with 45 liters of volume inside a fully plastic body weighing less than 10 pounds.

Priced at $69, about half of an entry level refrigerator, Chotukool creates a new product category, with a targeted value proposition that serves a new segment of customer Since ChotuKool is so unique, Godrej needed to evolve a new business model to fit the market. Innosight suggested options for a new kind of financing plan and low-cost distribution system that generates profits.

Moving beyond a single-state test market, Godrej is now in the process of expanding distribution using community networks. The result is an innovation with impact. Godrej & Boyce is on pace to sell 100,000 ChotuKools in only its second full year on the market.

The early success of ChotuKool led to Godrej being named India's most innovative company of the year by *Business Standard* magazine in a ceremony conducted by the nation's Prime Minister. *Business Week* and *Fast Company* named Godrej one of the world's "most innovative companies." ChotuKool was also awarded the 2012 Edison Award Gold prize for the Social Impact category.

Google Glass: A year from now, Google will be selling a pair of glasses that transmit sound to the wearer through bone conduction. However, unlike the specs that Eric Sykes wore, Google Glass has the potential to change deaf people's lives forever.

Google Glass is essentially a wearable computer which sits on the user's face. A single glass lens over one eye, displays color images in a similar fashion to the head up display you see on fighter jets, or on sports cars. The resolution has been described as a 21inch television viewed at a distance.

You can adjust the headset so that the images appear directly in your line of vision, or just above or to the side. When the text and images are in your line of vision, they sit in a middle focal distance, similar to watching a 3D film through glasses and seeing subtitles appear on their own distinct focal plane.

Google Glass will use a combination of touch and voice commands, and function in a broadly similar way to an android mobile phone. Google Glass has the potential to be a bigger innovation for deaf people than the text phone, teletext subtitling, mobile phone texting, cochlear implants, or relay phone services. I'll give some examples of how Google Glass might be used by deaf wearers.

Managerial Implication:

There are six key attributes of disruptive innovation which managers must strive to follow. These are as follows:

- Disruptive innovation spur growth
- Disruptive business either creates new markets or takes the low end of an established market

  Disruptive opportunities require a separate business planning process
- Do not try to change your customers, help them
- Integrate across whatever is not good enough
- Be patient for growth but impatient for profitability

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