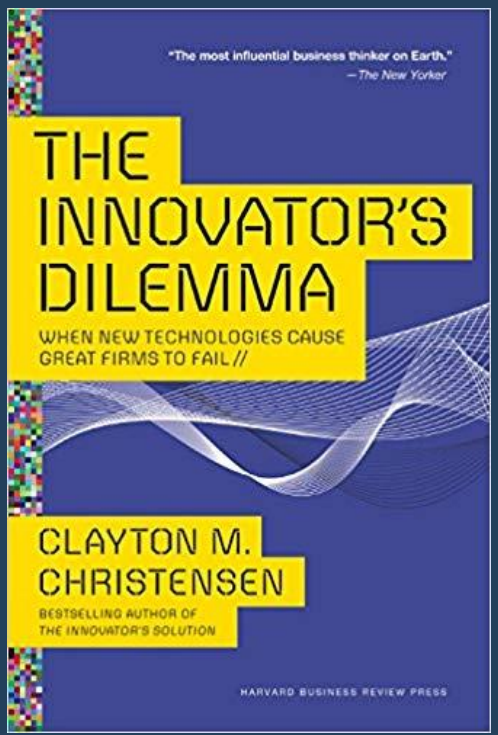

The Innovator's Dilemma

Year of publication: 2016
Author: Paulo Vieira
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Link for purchase: https://amzn.to/2n0x9Rq

"A breakthrough innovation is the one that transforms a product that historically was so expensive and complex that only a small part of the population could have and use in something so accessible and simple that a much larger portion of the population now can have and use. "

Earlier in the book, Clayton M. Christensen defines the concept of breakthrough innovation. And it is precisely this definition that will be evaluated in this book.
Originally published in 1997 by the Harvard Business Review, reissued and released again in 2001, "The Innovator's Dilemma" was once considered by The Economist as one of the 6 most important business books of the past 50 years.
This classic bestseller, despite its 18 years of age, has never been so current. And in the course of this summary, we will understand how large companies did not keep up with the market's development and were driven to failure.

Score

8

7 Aplicability
8 Inspiration
8 Innovation
7 Impact on results
8 Structure

Main ideias of the book

- Breakthrough innovation and incremental innovation present crucial differences for the development of companies;
- Big companies fail because they can not innovate in a disruptive way;
- There are ways to prevent and correct problems arising from the Innovation Dilemma.

For whom is this book suitable?

This book is suitable for entrepreneurs and leaders who feel that something "missing" is missing.
In this text, we will realize that this "something else" is what makes the difference when it comes to having more and more successful companies, and that innovating is the best way to achieve this goal.
So if you want to know how to innovate in a revolutionary and disruptive way, changing the reality of your company and promoting better results, this text is for you!.

Overview of the book

The Dilemma

To develop his main idea, the author makes a great question: Why companies that follow all good management practices, acting in the right way, inevitably come to failure?

This is the dilemma. If companies "followed the protocol" and were managed in the traditional way, listening to clients, investing in technology, and analyzing the market, they should theoretically be bound to succeed, but that does not happen. And the great “guilty” for this is the breakthrough innovation.

Disruptive Innovation x Incremental Innovation

In order to better understand this scenario, we need to understand that there are basically 2 types of innovation: disruptive and incremental.

When we talk about breakthrough innovation or disruptive innovation, we talk about causing a major change in the market and, as the passage quoted above says, it is to bring a technology before into the hand of few and provide it for many.

When we talk about breakthrough innovation or disruptive innovation, we talk about causing a major change in the market and, as the passage quoted above says, it is to bring a technology before into the hand of few and provide it for many.
Usually, disruptive innovations turn the market into something simpler and more practical for the consumer. For example, Netflix replacing the rental companies, Uber becoming a new option rather than the taxis and even Whatsapp that came to replace the SMS.
Parallel to this, there is incremental innovation, which consists of innovating in the improvement of existing technologies, making them better, but without causing major changes in the market.
We can use as an example the cars and cell phones, which are two types of products that have constant innovations. These technologies emerge and are implemented in these products, so they can have a better performance. However, unlike the modifications of rupture, products like these undergo balanced and gradual changes.

The Seven Discoveries

Throughout his research on new technologies, Clayton M. Christensen presents us with several insights that point to the rise of disruptive ideas and the fall of big business.
Thus, we can emphasize 7 points that every innovator needs to be aware of, as we will see from now on.

Customer Focus is Important. Really?

If I tell you that the customer is always right and we must follow all his needs, you would probably believe me. We would fulfill all the consumer's wishes and, in the end, we would have a very good return, right?

Wrong!
In a world of new ideas and new business models, where information circulates quickly and you need to develop breakthrough ideas, **we can not consider everything customers want.**
This is due to the fact that when we are attentive to our customers, we always identify incremental innovations to always improve what we already offer. The need for disruptive technologies can not be identified. After all, we can not have need for something we do not even know exists.
Therefore, in the search for revolutionary ideas, we must break the paradigm that the customer is always right and know how to identify the moments when we need to stop listening to customers to bring new airs to the company and the market.

Wisdom in Resource Management

Innovation demands resources. To create new things, investment in the research and development of these new products is needed.
Innovations with little investment, end up not working because there was not the correct commitment of money, people and time in the evolution of the idea.
So it takes wisdom when it comes to allocating resources. A joint effort between the executives who will provide the resources, and the employees of the company who, with their experience, will know how to apply these resources in the best way in the production process. Innovation will therefore have the right investment, helping it to succeed.

New Ideas in New Markets

Throughout this innovation process, there is a business challenge because while incremental innovations are up-to-date versions of what customers already want, disruptive innovation may not be very well accepted by the market.
The author then brings an important attitude in this case. If the market does not accept your idea, **create new markets.**
This happens, because they are revolutionary ideas. They change the way of thinking about something, bringing technologies that were not very accessible to the general public. Consumers may not welcome the change. So as a solution to this problem, discover the market that will embrace your idea and promote your brand's growth.

The Standards of Organizations

Organizations have specific characteristics that are difficult to change, which contributes to the difficulty of innovating disruptively. These characteristics are standards for inserting technologies in the market, tolerating failures, production cycles, among others.
In other words, by setting standards, companies get their operation rigid and make the entire breakthrough innovation process difficult. This allows smaller companies to develop these innovations and overpower large corporations.
For example, we cited Google, which was initially a small business, focused on eliminating any need for telephone directories, encyclopedias and printed guides. It has grown and remained at the forefront of this market to this day.

Try, Fail, Repeat

Many books that talk about leadership and entrepreneurship address the importance of resilience in the entrepreneurial world.

The market is competitive and demands distinct strategies to outperform competitors.

Working with breakthrough technologies carries a very high risk because they are completely new ideas and there is no precedent for their success. Therefore, dealing with failure can be commonplace, but at the same time be an opportunity for learning.
There is no better time to test than to in the innovative process. Trying, failing and trying again, being resilient, are essential features for anyone who wants to be a disruptive innovator.

Be the First!

The market is competitive and demands distinct strategies to outperform competitors. While for incremental technologies the strategy is to always go improving products, showing that yours is superior to other examples of the market, with disruptive technologies, the ideal is to be a pioneer and leader in the new market.

So here's the tip of the book: if you have an innovative idea that has never been put into practice before, get your hands on, develop it and be the first to make this technology available in the market. This is essential to gaining leadership in the field and setting a competitive edge over competitors.

David vs. Goliath

You may have heard the biblical story of David, a warrior who discredited defeated the invincible giant Goliath.
This point deals precisely with small ones that overthrow giants. For this, I will ask you to recall the first Overview of this text, when we discuss about why big companies fail, while small and young entrepreneurs can achieve success.
The book presents the argument that the big difference is that small companies are investing in new markets, with new technologies, innovating disruptively, while big companies, market leaders, see no sense in following these new works.
This makes these organizations, even having a traditional management model and doing everything as "standard", failing and being overcome by newcomers in the market.

Discuss and Innovate!

Now that we have gone through the identification of the problems and discussion of the main characteristics of this model thought by the author, we need to understand how to overcome the challenges and innovate in an effective way.
So if you realize that innovation capabilities of your business are no longer appropriate to the market, see the points below, as they can help you develop your business.

If You Can not Beat him, Join him

When traditional companies realize that they are being outdone by some new company, they have a strategy to overcome that challenge and dominate the market: buying the smaller company.
In this way, it is possible to enter the market of rupture, offering a new technology and still surpassing the competition.
We can cite as an example Whatsapp, which was acquired by Facebook for billions of dollars when it began to dominate the market of messages.

Internal Development

When realizing that the market is leaving you behind, another option is to get out of the comfort zone and change your internal processes, shifting the focus to innovation.
As we have said before, using standards for everything, can stop a breakthrough innovation. Therefore, developing a culture of innovation in the company, listening to the ideas of all employees is a great opportunity to establish an innovative environment.
But remember: an innovative environment promotes both incremental and disruptive innovation. Both are important, but it is fundamental that there is a directed look at developing new technologies to revolutionize the market.

Separate Performance

Another solution is to develop a new company with the new desired focus.
Many companies that already operate in the traditional market and have their structure focused on this may find it difficult to reverse the situation and adapt to the innovative market.
To do this, they develop new companies or new divisions, with total independence from the parent company, with employees, structure and costs acting separately, which will aim to compete in this new market.
An example of this is Amazon, which created an independent company with a single goal: to unite the world of books with the digital world, which resulted in the creation of the Kindle, increasing the value of the company.

What other authors say about it?

In the book The Lean Startup, author Eric Ries says that the true productivity of a startup is measured by the systematic search for the right things to do. In lean startup, every product, every feature and every advertising campaign is understood as an experiment to achieve validated learning. And it is these ideas that will allow breakthrough innovations to be created.

Analyzing the book Everybody Matters, we can establish a very cool connection between innovation and leadership. Authors Bob Chapman and Raj Sisodia say that employees should be encouraged to innovate and try new things, even if they fail. This makes them realize that managers have full confidence in their potential and their work. That is, it is very important that leaders encourage employees to innovate, so new ideas will come naturally.

Okay, but how can I apply this in my life?

Now that we understand the dilemma proposed by the author, we can draw some lessons:

To innovate in a disruptive way we must invest in technologies while they are in the beginning. They may not make sense now, but in the future they will be essential to your success;
Never abandon the traditional market just for breakthrough innovation. As we said, there is a very high risk, so the ideal is to act in parallel in the two branches;
Find out: always be aware of market trends and how new ideas can emerge;
And remember: Innovation is not just a product, it is mainly the problem that you will solve with this product.

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