

THE INNOVATOR'S SOLUTION by Clayton M. Christensen & Michael E. Raynor

Review by Carolyn Evans, February 2005

I'll declare my hand up front - this is a book in strong sympathy with our view that innovation is far, far more than just R&D – innovation is about problem-solving. Pivotal, how you solve it spins on what you perceive the problem to be. So a book that looks at the true nature of innovation, how to achieve it and how to benefit from consequent growth is definitely one that I was ready to read.

While I wouldn't put this book in the league of the Michael Porter classic "Competitive Strategy" (which is still wearing well after 20 years), I definitely found quite a bit to pull out and discuss with our clients. There is well thought through pragmatic discussion with intellectual rigor to back it up. Given the religious zeal with which managers are directed to achieve growth and keep on achieving it, there are few executives in business that don't need to be across the questions presented in this book.

The style of the authors for my money succeeds in making the ideas quite accessible, using case studies that are thoughtful and thought-provoking. They stop a long way short of pre-digested solutions or cookbook "steps for success", which is just as well or there would have been some harsh words here.

Let me digress for a moment to say that the cover design is awful in my humble opinion – it is definitely reminiscent of the "cookbook steps for success genre", which is a shame and doesn't do the contents justice at all.

In fact, on the scale of management "cookbooks" to the left and learned, scholarly works to the far right, this book falls well right of centre because of the extensive background work done by the authors – work that they reference in a usefully light-handed but informative way without turning the book into a tome. And it does have the minimum necessary number of grid diagrams to ensure the projection of suitable intelligent gravitas!

To be fair, a key attraction of the book is its all up readability - which is achieved by having enough diagrams (that are actually illustrative of their point) and keeping the main thread of discussion on track in the body of the work (putting supporting points and some more extensive background into footnotes and appendices).

However, the other side of all this is that you actually have to *read* the book in order to have read the book - this is not something you can knock over in a 2 hour seminar or an online chat session. The industrious types might work their way through the book on a long haul flight, others may need a couple of sessions.

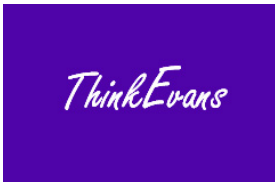
That said, I would rate the book as well worth the effort for a good refresh of the thought processes around making your company grow. Their discussion of the nature and characteristics of successful and prolonged innovation provides a more realistic take on why growth often is or becomes an unmanageable nightmare even for highly competent organisations.

So the book is readable but not superficial, digestible rather than pre-processed, seasoned with sensible examples (although the territory covered would be more familiar to a person with a large company background or an MBA than those from mid-tier firms who haven't done a graduate business degree).

One utterly compelling point made a useful length is that new market consumption competes with non-consumption. They use the US example (not surprisingly) of Southwest Airlines, which went after those NOT already using air travel but who were travelling by coach or car. By pitching to a price point and using a product composition that suited this audience, they grabbed a viable part of a market rather than having to tear the throat out of an existing airline's business to stay afloat. Interestingly, they have also over the longer term attracted some of the core air travel business as well. In Australia

The importance of certainty for inexperienced consumers is not really articulated but hinted at – not even sure if they acknowledge this issue. Look at the cost of experimentation – the worst case is that For the new consumer ... What they definitely don't explore is the substitution issue – if consumers switch to this new thing (eg. Air travel) what happens in the industry that they switch away from (eg. Coach) – of course, they had already flirted with the economists by having a footnote about diminishing marginal utility so expecting too much here!

How to make money out of internet-based innovation is another of the vox populi case studies that are sprinkled throughout the book and used to pretty good effect. Applying their 3 litmus test questions,



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they cast Internet banking for example as a sustaining innovation for all banks – which contrasts interestingly with the reluctance with which the Internet was embraced by such institutions.

different mode with different circumstantial requirements and different value equations governing their behaviour.

Three litmus tests:

So they really go some way to debunking the socio-demographic cause & effect marketing vs what job is the customer trying to get done. Target circumstances not types of consumers.

- Can the idea become a new-market disruption? One or usually both of the following need to be confirmed:

Like the outcome orientation – the milkshake story is a classic in the making.

- o Is there a large population of people who historically have not had the money, equipment, or skill to do this thing for themselves, and as a result have gone without it altogether or have needed to pay someone with more expertise to do it for them?

Is fear of focus fear of missing the bulls eye or the fear of losing the client to another match entirely or both

- o To use the product or service, do customers need to go out to an inconvenient, centralized location?

Bottom line/lingering question – left me wondering where will we find leaders with the spine and the nerve to listen? Its not the first time that I've thought this but

- Is there potential for low-end disruption? This needs both of the following to be confirmed:

Quotes:

- o Are there customers at the low end of the market who would be happy to purchase a product with less (but good enough) performance if they could get at it at a lower price?

P40 – Sustaining innovation essentially entails making a better mousetrap. ... A sustaining-technology strategy is not a viable way to build new-growth businesses, however. If you create and attempt to sell a better product into an established market to capture established competitors' best customers, the competitors will be motivated to fight not flee.

- o Can we create a business model that enables us to earn attractive profits at the discount prices required to win the business of these overserved customers at the low end?

P45 – New-market disruptors' challenge is to create a new value network, where it is non-consumption, not the incumbent, that must be overcome.

- The last gate is critical – Is the innovation disruptive to all of the significant incumbent firms in the industry? If it appears to be sustaining to one or more significant players in the industry, then the odds will be stacked in that firm's favour and the entrant is unlikely to win.

P87 – Focus is scary – until you realise that it only means turning your back on markets that you could never have anyway.

If an idea fails any one of the litmus tests, then it cannot be shaped into a disruption. It may have promise as a sustaining technology (which is) but in that case we would expect that it could not constitute the basis of a new-growth business for an entrant company.

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One key thrust is "Ask not what business we are in, but ask what problem our customers are trying to solve". In the discussion of this point, they provide the key insight that sums to every customer is schizophrenic at best. They don't use this example, but it is easily illustrated by the airline travel market. Don't treat a business traveller who is on holidays the same as when they travel for business. They are in a