

Episode 109: What is the “innovator’s dilemma”?



This is one of those phrases that is thrown about at work all the time.

1. What is the “innovator’s dilemma”?

Published in 1997, “The Innovator’s Dilemma” was written by Clayton M. Christensen.

It looked at the challenges of managing new and old technologies as a supplier.

In fact, the subtitle was “When New Technologies Cause Great Firms to Fail.”

The big example here was IBM’s enterprise disk business and how it got taken away.

Having lived through it, here is how I remember it – somewhat simplified.

IBM sold large, very expensive disk-subsystems in cabinets - EMC started to sell these systems at a fraction of the price.

They did this using lower quality parts but many more of them – using RAID (Redundant Array of Inexpensive Disks)

These were systems built of many cheaper parts but they backed each other up in a redundant way.

At first, IBM couldn’t believe people would buy this ‘bad’ technology. When they saw it was “good enough”, it was too late.

In a few months, IBM’s disk business was decimated.

Reality was IBM not only developed parts of RAID but people saw this coming.

The problem was that too much business came from the old technology to replace it.

How could a GM both manage an existing business and get into the new one?

Thus the dilemma – need to change, but systems and culture make that hard to do.

2. What can you do about it?

The first and most important thing to do is recognize it and don’t be blind-sided.

You always have to be looking about you for what else is going on.

Be ready, as they say, to ‘cannibalize your own businesses.’ Think Apple-like.

Key ways to deal with this is having different metrics and management for each.

Example: your current products probably have revenue or profit based metrics.

New products however, often having pilots or references as their key metrics.

Also, the skills needed to launch a product may be different than those to grow it.

Even if you can do both, creating separate teams is often needed.

While this will create some internal competition, that’s not always bad.

As we have seen before, all products have a life cycle and at some point will die.

You should of course look to maximize their life but you can’t make them immortal.

Bottom Line: There is always a risk that you will cannibalize your existing products and businesses but if you don’t, at some point, someone else will.