

Succeed in Disruptive Technologies by Succeeding in Innovation

3rd Annual Disruptive Technology Conference

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The MP3 revolution



1998
15%

2000
3%

2002
-7%

2003
-7%

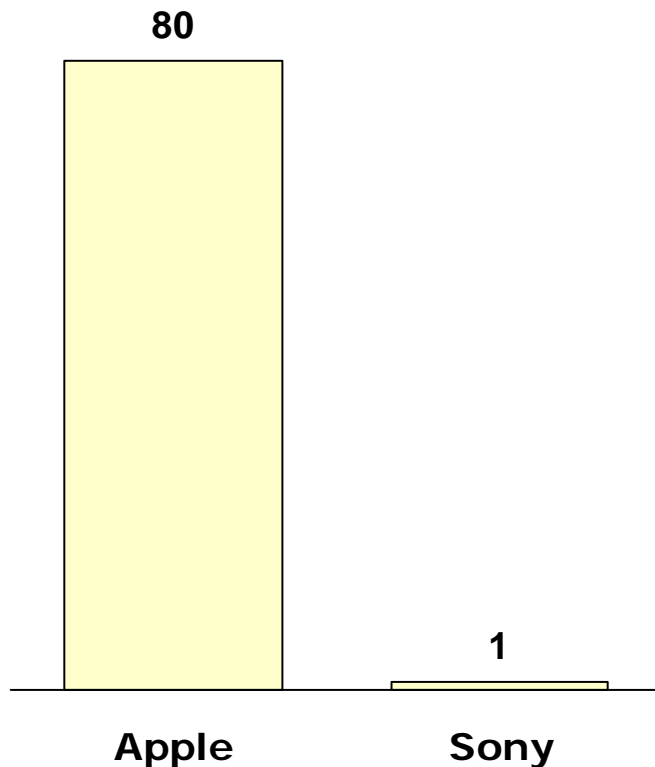
2005
??

Annual Growth in CD sales (\$)

Source: RIAA Web Site; Innosight Analysis

Where's Sony?

Share of MP3 player market % 2004



"I think we fell asleep for a while ... Maybe part of [the problem] was being affiliated with a music company."

— Sony Executive
CNN/Money, 2004

"I don't really like hard disks – they're not Sony technology. As an engineer, they're not interesting."

— Sony Engineer,
WSJ, 2004

Source: Literature Search; Analyst Reports; Innosight analysis

Innovation is More Than Technology



Dell: New process

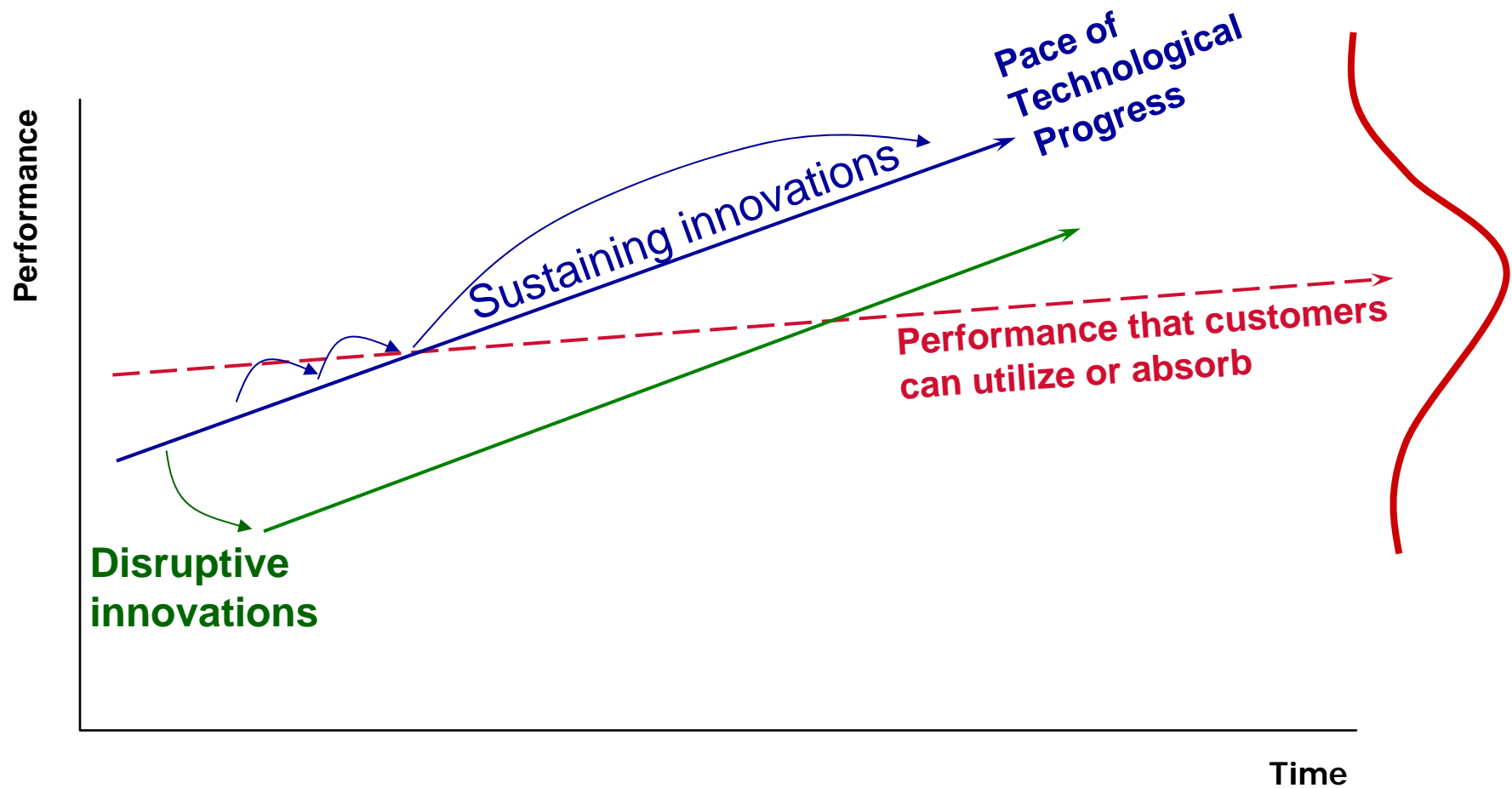


iTunes: New service



MinuteClinic: New business model

Sustaining versus Disruptive Innovation



Adjectives That Describe Different Types of Innovation



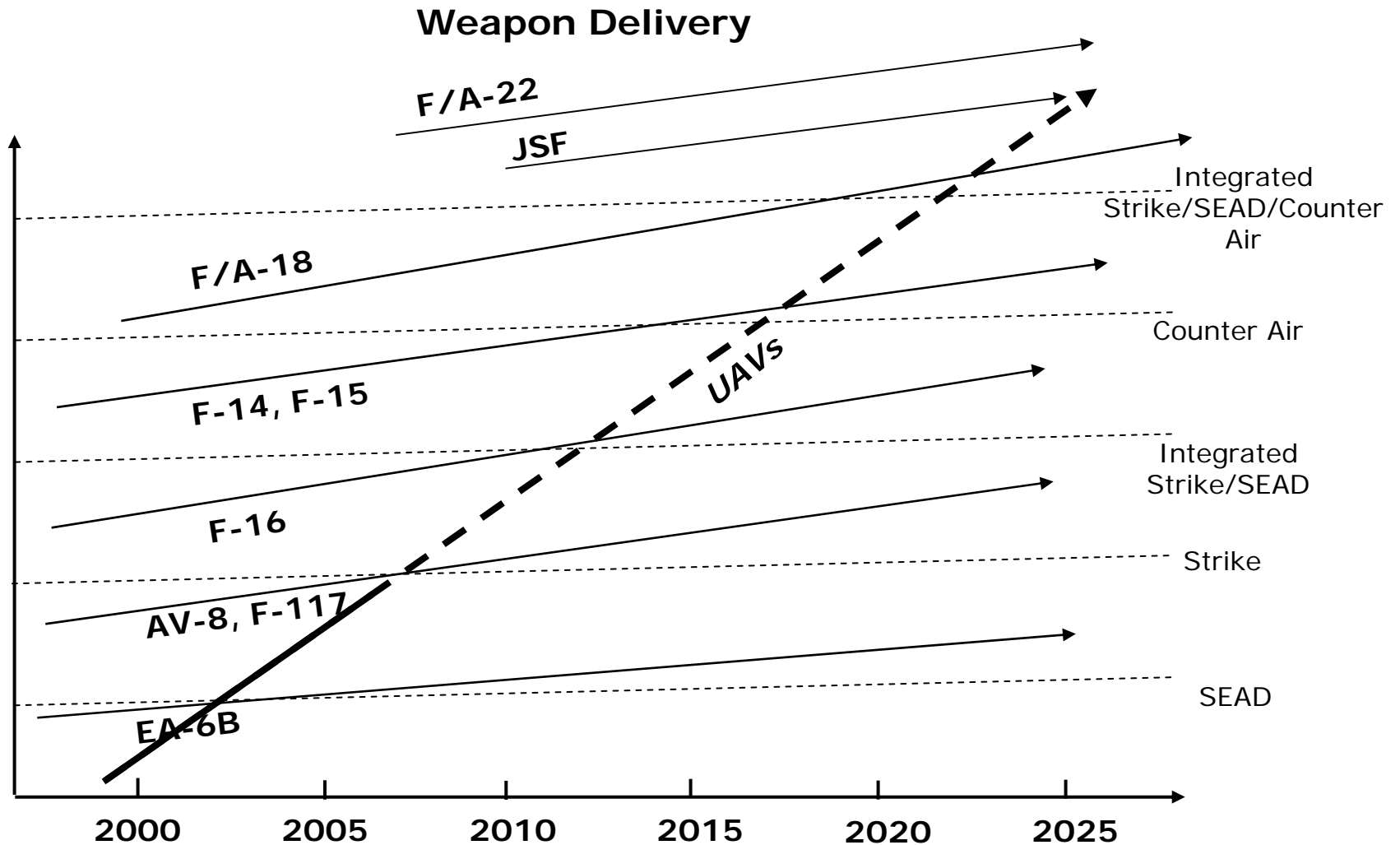
Sustaining Innovation

- Better
- Next-generation performance
- Great leap forward
- Complicated

Disruptive Innovation

- Different
- “Good enough” performance
- Great leap downwards
- Simple

UAVs – Addressing the Low End?



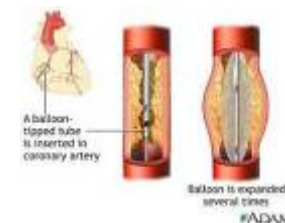
Source: OSD UAV Roadmap, 2002

Disruptive Innovations that Democratize and Decentralize

1) Is consumption of a product or service limited to the wealthy?



2) Do you have to have special expertise in order to consume (or produce)?



3) Does the need to go to a centralized, inconvenient location limit consumption?



What Makes These Innovations Hard For Established, Incumbent Institutions

Resources

- People
- Technology
- Products
- Equipment
- Information
- Cash
- Brand
- Distribution

Processes

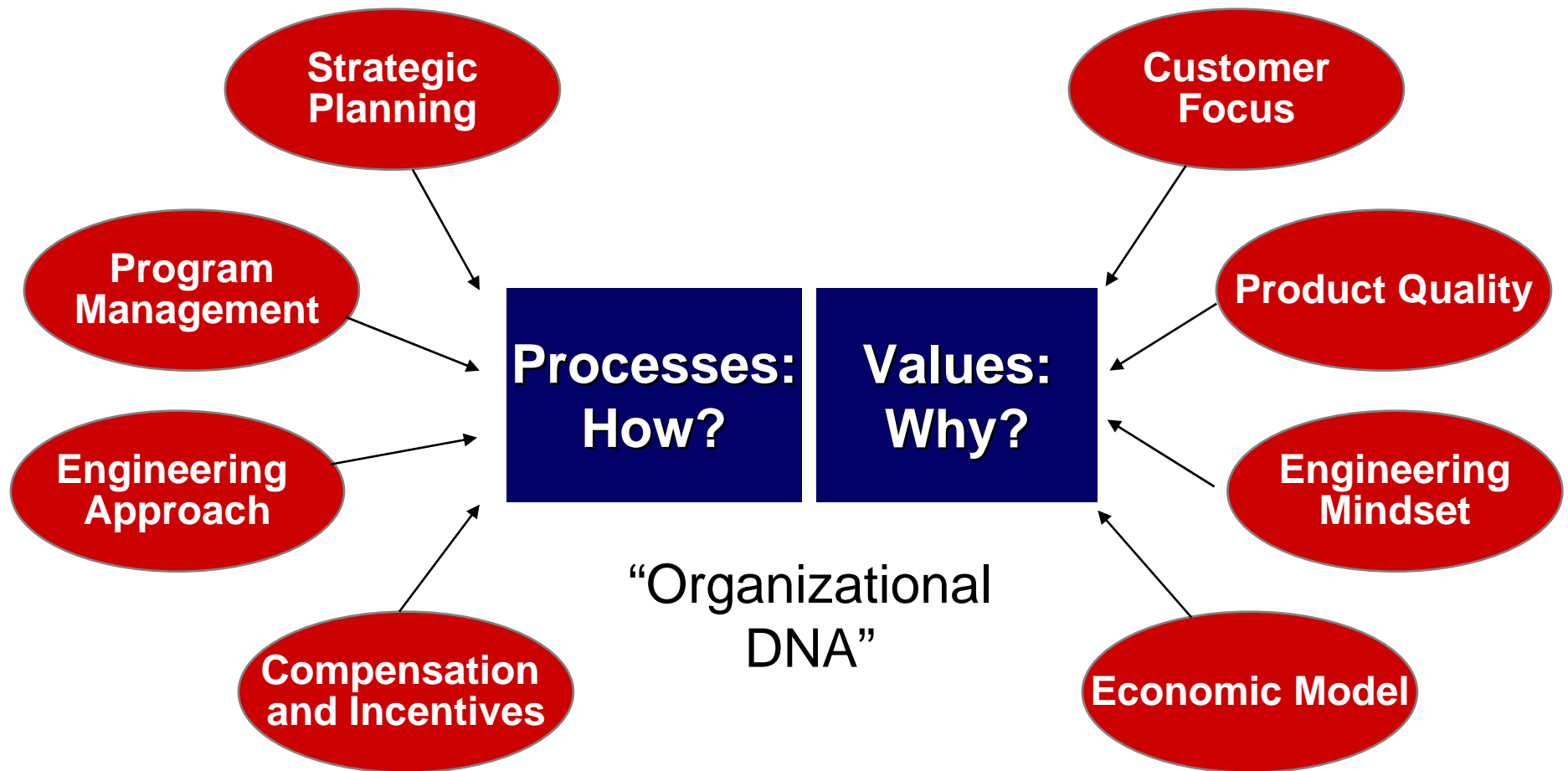
- Hiring & Training
- Product development
- Manufacturing
- Planning & Budgeting
- Market Research
- Resource allocation

Values

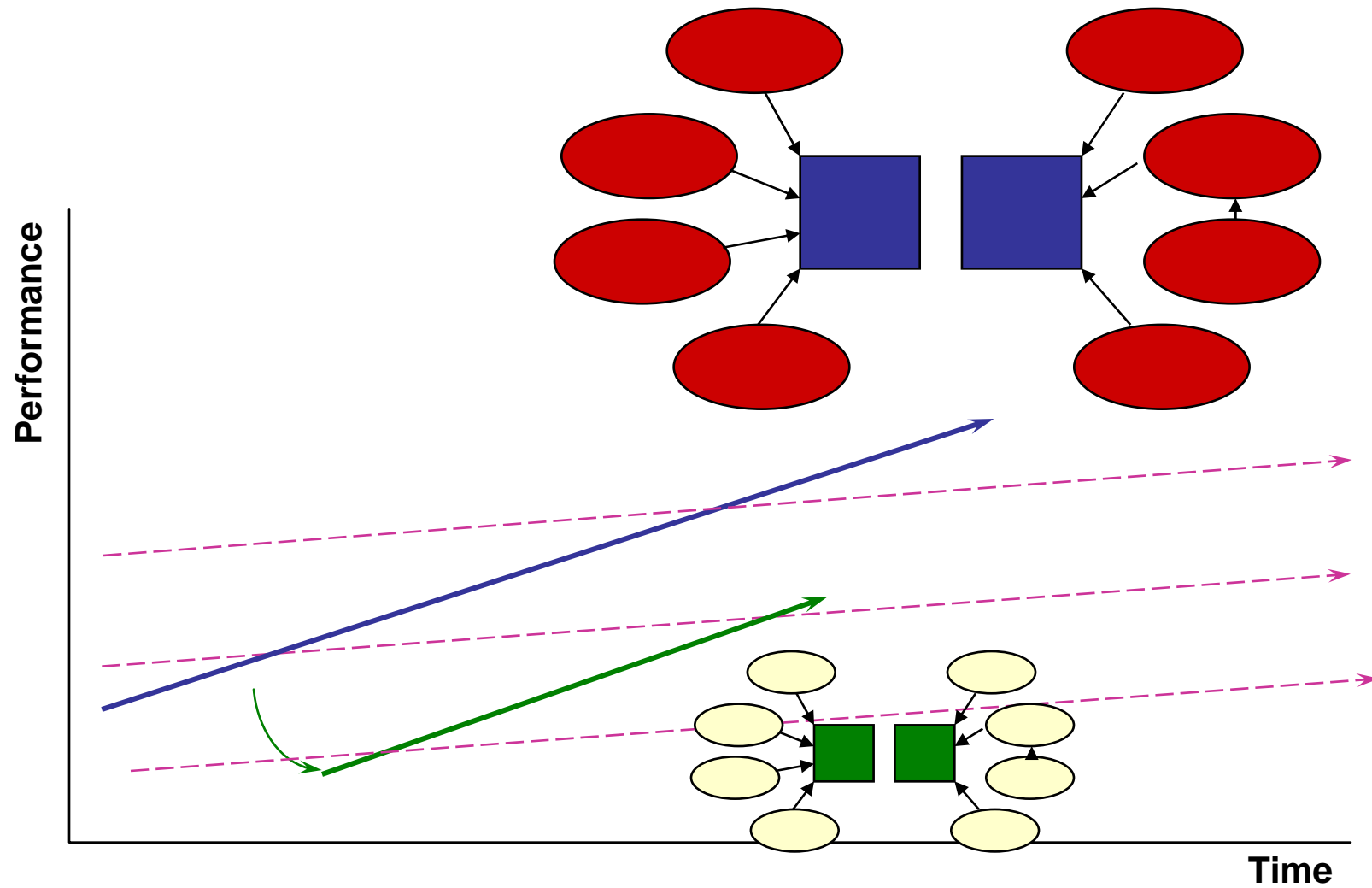
The criteria by which prioritization decisions are made

- Ethics
- Customer focus
- Engineering Mindset
- Economic Model

Strengths in One Context Are Often Weaknesses in Another



Set Up the Right Processes and Values Appropriate to the Circumstance



Focus on the 'job' to be done



“Kill small snippets of time productively”



“Make sure I don't run out of cash”

- Consumer is looking for a quarter inch hole, not a quarter inch drill
- Focus on the circumstances over the demographics
- Close observation and deep interactions with consumers can be key way to find target jobs
- Beyond “voice of the customer”: “If I'd listened to customers, I'd have given them a faster horse” – Henry Ford

Get the 'gives' and 'gets' right



A Kodak FunSaver 35 camera box is shown on the left, and a Nikon camera is shown on the right. A blue circle with the word "Vs." is positioned between them. Above the Nikon camera is a small image of a film strip.

Don't introduce the FunSaver



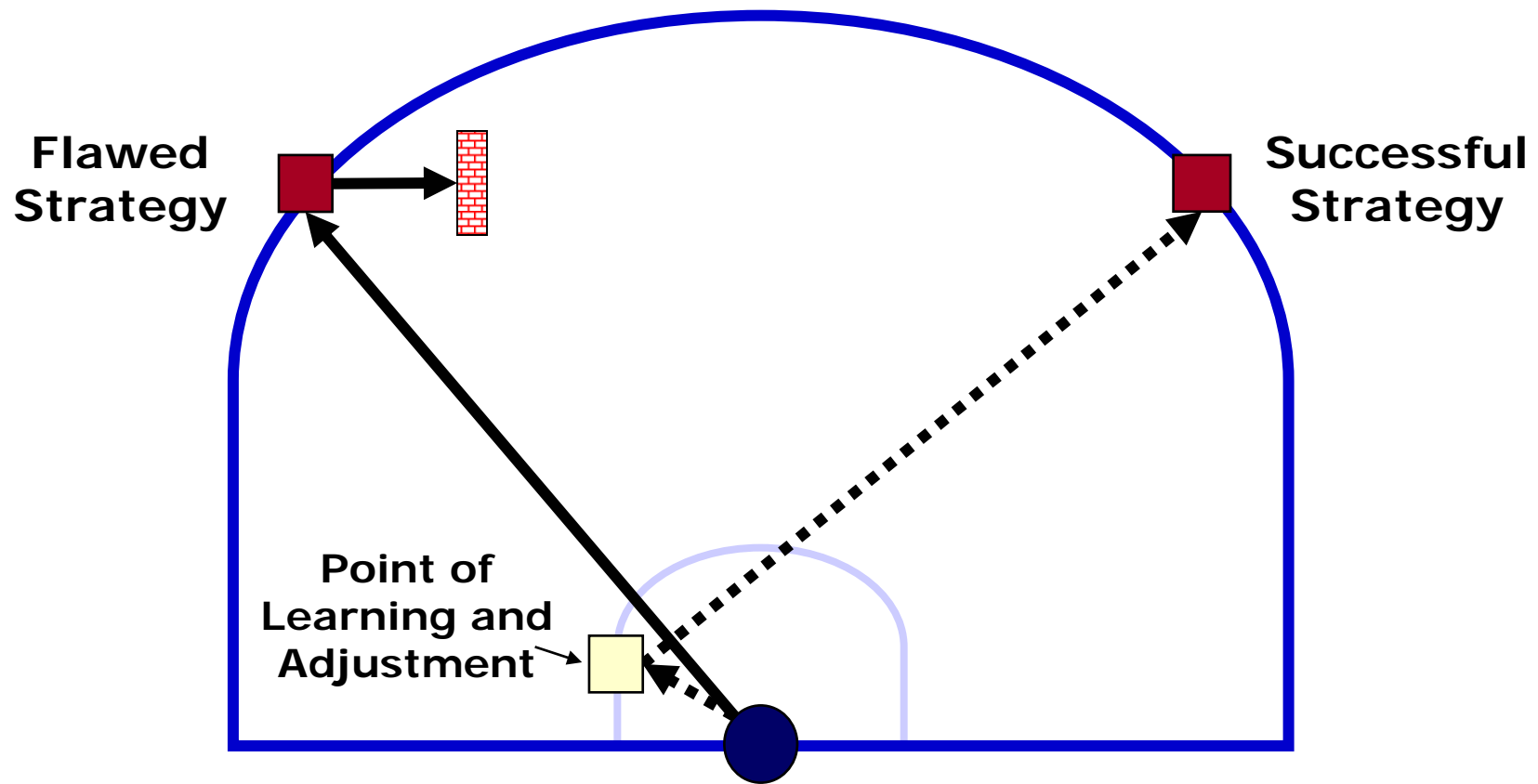
A Kodak FunSaver 35 camera box is shown on the left. A blue circle with the word "Vs." is positioned to its right.

At Disney World ... forgot my camera

Introduce the FunSaver

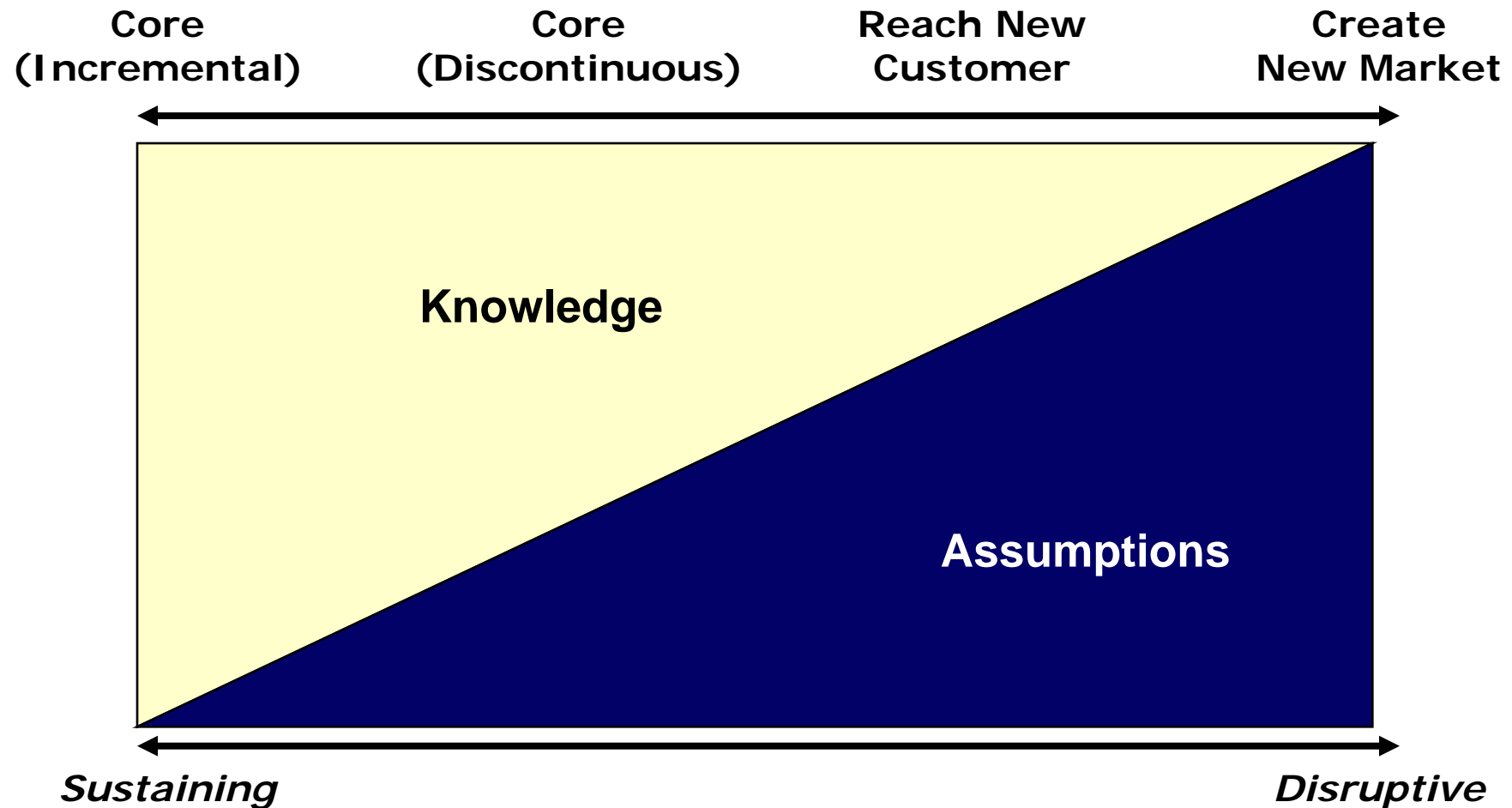
Remember: Quality is relative

Success in Any Uncertain Environment Requires Testing, Experimenting & Adapting

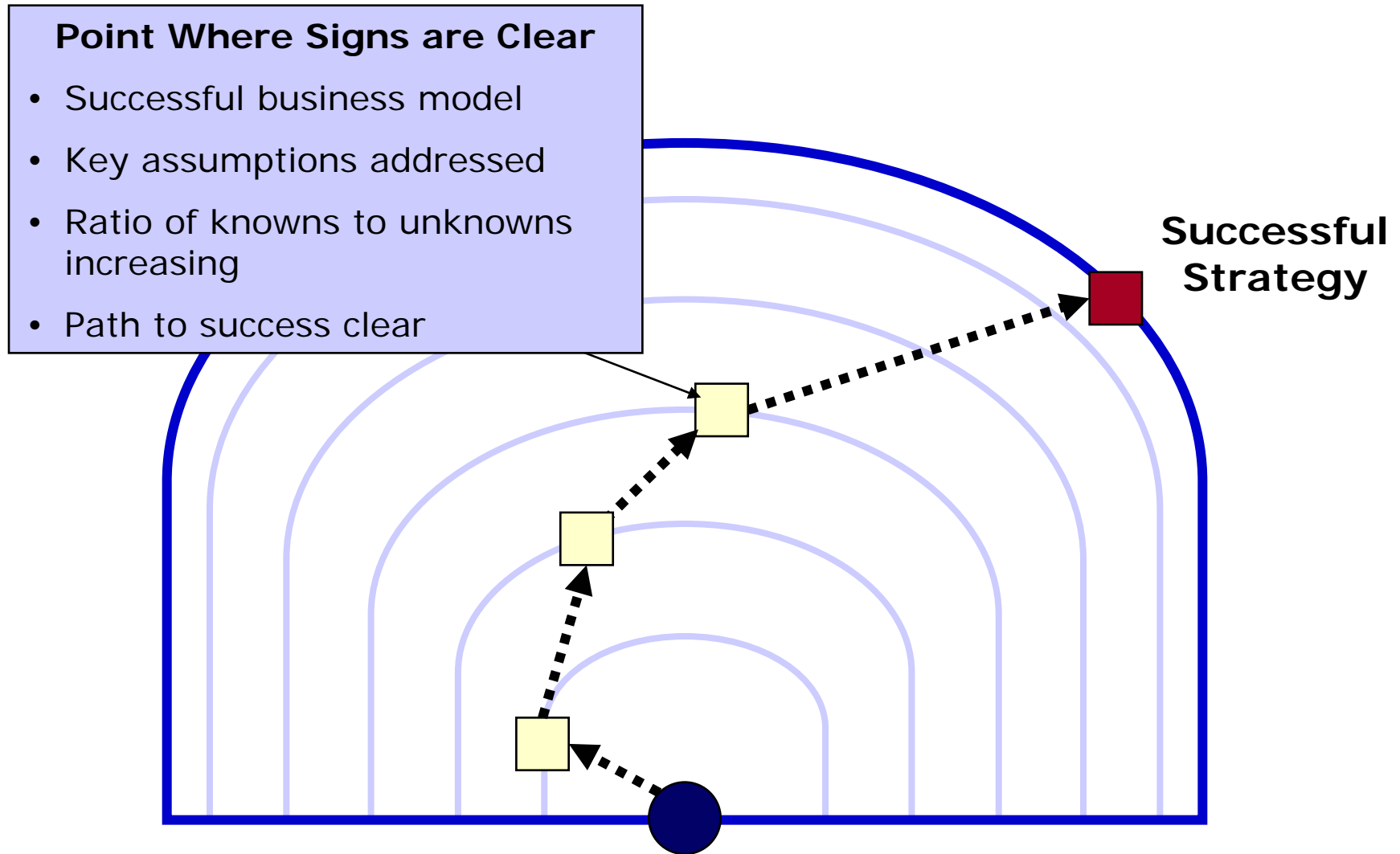


More than 90% of successful new ventures start off following the wrong strategy

Understanding the Knowledge to Assumption Ratio



Continue Adapting Until Signs Are Clear



Summary



- 1) Have a common language about Innovation
- 2) Match the Innovation with the right Processes and Values
- 3) Focus on the “job” to be done
- 4) Utilize a planning process focused on learning
- 5) Precision around assumptions, not metrics