



Disruptive innovation vs. sustainable innovation – What is the best way to create value?

The frantic pace at which the business world moves leads companies to incorporate new technologies to survive, stay competitive, be attractive to clients, investors, and talent, and create the maximum possible value. Usually, at this point, a dilemma emerges between disruptive innovation and sustainable innovation.

Sustainable innovation is the continuous improvement of existing products and processes to increase their value. The ways to incorporate sustainable innovation are limitless. They are incremental and generally reactive initiatives. They usually appear to respond to client demands, to the advent of new technology that can be applied in the business, to a flaw in processes that need fixing, or to market changes that force companies to update their tools. In many cases, new regulations trigger the need to adapt. Examples range from a new sales challenge to an app that eliminates the need for in-person steps in a transaction, the automation of a repetitive process that took up a considerable amount of time and resources, to the incorporation of analytic tools to predict demand and anticipate flaws in production machines.

Disruptive innovation

As opposed to sustainable innovation, disruptive innovation (a concept coined in 1995 by Clayton Christensen, a Harvard University professor) is the capacity to reinvent technology, business models, or brand-new products or services. In recent years, we have seen an unprecedented number of examples of this new type of innovation. For instance, Netflix redefining the audiovisual entertainment industry from its core, Uber rocking the foundations of public passenger transport, or Airbnb and its capacity to lead the tourist rental market without having a single physical room in stock.

New technologies, business models, or a novel approach to existing technologies can do the trick. To progress with a disruptive innovation model and reach new levels, we must break any pre-established mental concepts. We should adopt an open-minded approach to identify unexplored business areas, detect clients we have never approached before or improve the quality of client experiences.

The above examples defeat the implementation of an adequate approach to disruptive innovation. In their eagerness to be the next Uber, many organizations lose sight of their purpose and run more risks than they should. That is why, when we are dealing with a well-established company with many years in the market, the recommendation is to set up a small company to take care exclusively of the disruption so that the core business is not affected. There is an additional source of confusion – believing that innovation can only be disruptive when sustainable innovation is more frequent. We must develop a trial-and-error culture where failure is not the end of a project but a lesson to persevere.

Short-term vs. long-term

Our experience shows that well-established companies usually choose sustainable innovation. It presents fewer risks and allows them to undertake gradual changes with available resources and an established target. On the contrary, startups or very agile small businesses go for disruption. They take the traditional route and end up at a competitive disadvantage compared to well-established companies. Given all this, the more reasonable course is opening new markets.

In general, when a company in the middle sector understands that it is time to innovate before losing clients, reputation, or market share, it usually faces an “either/or” dilemma. Should it continue to do the same, but better –that would be sustainable innovation– or should it rock the boat and adopt new business models or aim for new markets – which would be disruptive innovation?

Maybe it is time to change the approach. Why have to choose one or the other? The best alternative is to explore both courses simultaneously and utilize what they have to offer. A comprehensive strategy could combine revolution and evolution, concentrating on specific improvements in the short term and growth in the long term.

Data as a source of value creation

In any case, the raw material for creating value is there: the data accumulated over the years. Retrieving the value caught in the legacy databases requires consolidating quality data. The result, however, is remarkable. Once the data are cleaned up, they can be used to understand consumer behavior and create better experiences. We can now add intelligence and analytics. This way, we will better understand the business scenario to plan more accurately and anticipate demand. From the disruptive point of view, data will help understand the context, identify the needs unmet by the market and obtain the feedback necessary to personalize and adjust supply to the wishes of potential clients.

Whether sustainable or disruptive, the flame of innovation must continue to burn in any of its forms. It can light up the way toward the future of the business.