



Seeing What's Next: Using the Theories of Innovation to Predict Industry Change

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Every day, individuals take action based on how they believe innovation will change industries. Yet these beliefs are largely based on guesswork and incomplete data and lead to costly errors in judgment. Now, internationally renowned innovation expert Clayton M. Christensen and his research partners Scott D. Anthony and Erik A. Roth present a groundbreaking framework for predicting outcomes in the evolution of any industry. Based on proven theories outlined in Christensen's landmark books *The Innovator's Dilemma* and *The Innovator's Solution*, *Seeing What's Next* offers a practical, three-part model that helps decision-makers spot the signals of industry change, determine the outcome of competitive battles, and assess whether a firm's actions will ensure or threaten future success. Through in-depth case studies of industries from aviation to health care, the authors illustrate the predictive power of innovation theory in action.

Seeing What's Next: Using the Theories of Innovation to Predict Industry Change Details

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Alberto Lopez says

Fantastic complement to The Innovator's Solution by the same author.

In my list of the best business books to read: <http://albertoalopez.blogspot.com/201...>

Paul says

Not worth time you spent to read it. Don't even open it.

Oghenovo Obrimah says

For someone interested in learning more about the science and art of innovation, "Seeing What's Next..." is a good book. The notion of "disruptive innovation" clearly is a relevant approach to thinking about innovation. This book suffers, however, from a flaw that afflicts most books on innovation or strategy, which is there really does not exist any well defined quantitative structure for implementing disruptive innovation. As a financial economist, I have yet to find a book on innovation or strategy that provides a quantitative structure for applying the science and art of innovation. While this clearly is not an easy task, I know of at least one company that claims it is possible. Think quantitative structure that allows for flexibility in applications. Neither SWOT analysis nor Porter's Five Forces provide any quantitative structure for applications of their strategy or innovation paradigms. Given this flaw is characteristic of most books on innovation, clearly this flaw in no way decreases the value of this book. Personally, I found the authors to be very pragmatic about the realities of unfair competition that derives from the presence of established firms in an industry within which there is room for innovation. If you are looking for ideas on how to innovate and how to think through the presence of unfair competition within an industry, this is a good book.

Understanding Research Design and Choice of Methodology: A Theory Based Practical Approach

Anna says

I guess it was not the right time to read this book. I found it too academic for my needs and taste. It will probably be useful to C-suit and entrepreneurs whose full time job requires analyzing the market and see what's next.

Thomas Burky says

Highly recommended! This text is the third in the innovation management series featuring Clayton Christensen and associates. As with the Innovator's Dilemma and the Innovator's Solution, this is a text that

you buy, mark up and keep for future reference. Every section of this book is loaded with actionable guidance in developing investment, business and product strategy.

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\nClayton, et.al. clearly articulate the core processes of innovation theory and management: value chain evolution, asymmetric motivations and capabilities, value network analysis, effects of non-market forces and the backbone of it all - identifying sustaining and disruptive technologies and reacting appropriately to their presence.

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\nIf you are responsible of business strategy and have not read this series of texts then you are missing a large number of analytic tools. You may be interested in more of my reviews at (<http://www.biznessbriefs.com/reading-...>).

Claudia Yahany says

Hace 10 años seguramente fue buenísimo, pero se le nota el paso del tiempo. Christensen no está equivocado, pero hay explicaciones mucho menos complejas para casos más actuales, usando prácticamente los mismos términos (esta observación aplica para todos sus libros).

Demasiado académico, pudiendo hacer las cosas más sencillas para el lector promedio ¿qué necesidad? Christensen hace reflexiones de casos (que como siempre es sólo observar el pasado) para concluir en que "todas las empresas son diferentes" y "lo que es innovador/disruptivo para unos puede no serlo para otros". Lo cual tristemente es cierto.

Nick says

Skip this book, read this paper instead:
<http://hbswk.hbs.edu/item/4353.html>

If there was a ChangeThis Manifesto for Clayton Christensen's Seeing What's Next, this post at Harvard Business School's Working Knowledge would be it. This paper explains why (but not using these exact examples) Net Neutrality should be allowed to exist, why RIAA/MPAA will die off, why NBC and Universal's Hulu service is destined to fail.

Sundarraaj Kaushik says

Seeing What's Next by Clayton Christensen, Scott D. Anthony, Erik A. Roth

After having covered the Dilemma of the Innovators and having provided solution to the Innovators, in this book Clayton Christensen provides answers to the external world on how they should assess the company's ability and capability to disrupt. As the title indicates it helps an outsider See What's Next.

The book takes the Telecom Industry as the pivot and analyses how the different players have succeeded or failed in a market that has seen various innovations over the last century and half.

Introduction

In the first chapter the authors discuss how Western Union lost out by ignoring the voice communication. Western Union was a long distance telegraph company which provided the means to transfer information

over long distances. The users of these services were predominantly the industry which needed to get a variety of information regarding prices, availability as quickly as possible. Using the telegraphy services of Western Union was the only means of getting this information quickly.

When voice communication started, it did not have the range to operate over long distances. It was mainly used for local communication. Instead of cycling over to get an information people used this to talk and get the information. Ironically it was even used to call the telegraph office to figure out if the services would be available if the customer came down at a said hour.

Western Union neglected to branch out into Telephony as they felt it was too low end and could never replace the telegraph services. They were proved wrong. They failed to anticipate the improvements in voice telephony which would make it feasible and viable to talk long distances. When this came Western Union was caught napping.

The authors compare this to the wireless technology where the incumbents coped up with the threat from the disruptors. The authors attribute this to the following four factors:

1. Government granted licenses to the incumbents to operate wireless. This motivated them to look at it as an option.
2. The Wireless business tried addressing their very high end customers, instead of trying to address a low end market which would have been ignored by the incumbents. Some of the examples of disruptive wireless innovation could have been creation of network which could be used by parents to keep in touch with their teenage children. This market would not have appealed to the incumbents. But the wireless company addressed the needs of the corporate magnates and this competed directly with the wired network services of the incumbents.
3. The wireless operators used the wired networks of the wired service provider incumbents to reach the wired network from the wireless network instead of limiting their operations to wireless only services. This meant that the incumbent were partially in charge of the wireless network. This gave them a control over the wireless growth and also allowed them insight into the wireless services.
4. The government forced the incumbents to setup separate subsidiaries to address the wireless market. This meant that the incumbent had to treat these two as separate businesses and each could grow separately without interference from each other at the same time having cooperation whenever and wherever required. One of the key conclusions that the authors make is the external factors like government regulations can help the incumbents overcome disruptive innovations.

The Signals of Change

In this chapter the authors illustrate how watching out for overserved customers, undershot customers and nonconsumers in the market will allow one to see whats coming next.

Competitive Batters

Here the authors state that the history of the company can provide details of it will respond to a disruptive situation in the market. The study of history coupled with an understanding of the Resources, Processes and Values of the organization will give one an understanding of how the organization will fare when faced with disruptive innovation. The authors talk about how asymmetry exists when companies do what other companies do not wish to do and when companies have ability to do something that others do not have the ability to do. These asymmetries are very good indicators of who will win the battle in the competition between two organizations.

Strategic Choices

When market is in situation for a disruptive innovation, the reaction of the organizations will give indication of how it will fare with respect to tackling this challenge.

Entrants can go wrong by making wrong hiring decisions. An entrant picking the top of the management from an incumbent could be a recipe for disaster as the values that these personnel bring in may not be

suitable for an entrant.

Similarly an entrant trying to leverage the overlapping network of an incumbent (as seen in the wireless trying to leverage the wired networks of the incumbents) can lead to failure due the ability of the incumbent to use co-option to overcome the challenge of the entrant

Incumbents taking on the challenge the right way instead of taking flight can indicate that the incumbent will succeed and not the entrant.

How Nonmarket Factors Affect Innovation

In this chapter the authors give details of how external factors like Government regulation in the right direction can bring innovation to the fore. These regulations will also determine if it will be the incumbents or entrants that will succeed.

The authors introduce the Motivation/Ability Framework which should be the guiding principle for the government when they are coming up with regulations to revive a stagnant market. The authors argue that two factor "Motivation" of the company to innovate and "Ability" of the company to innovate will determine the eventual success or failure of the regulations. If these two are not kept in perspective then it is likely that the regulation will not yield the desired results.

Disruptive Diplomas

In this chapter the authors illustrate how usage of internet in the education department adopted by different universities has either succeeded or failed based on the strategy adopted by the institution. The institutions that have tried to convert their regular courses to an internet based course and have charged the same amount and have expected the students to spend the same amount of time and effort in completing have failed to get anything out of their effort. Whereas institutions that have tried to address the market that requires quick refresher courses even as the students continue with their normal jobs have succeeded. This is because the later address the actual needs of their customer. They provide a non-comprehensive course, but this is sufficient for somebody who is looking to learn the basics so that they can perform their job better.

The authors conclude that educational institutes can disrupt by catering to the nonconsumers. These are ones who find it attend full time courses or find it difficult to complete the entire gamut of things covered in these full time courses.

Disruption Spread Its Winds

Airline industry has been dominated by Boeing and Airbus. The rest of the players in the industry has been either forced to shutdown or have been taken over by either of these two. But newer ones like Bombardier and Embraer have been coming to force. These have started off with small aircrafts to serve airlines like SouthWest which do not compete in the main markets served by the bigger airline companies. But these companies are constantly improving the quality and range of their aircrafts and they could soon be competing with Boeing and Airbus. Also the low end airlines like Southwest and others which have captured the market in the under served sectors are slowly encroaching in the main sectors as they have covered most of the under served sectors. This could mean more business for the upcoming airline companies.

Whither Moore's Law

In this chapter the authors cover the semiconductor industry where Moore's law ruled roost over the last few decades. The authors highlight how the industry incumbents have thrived, thanks, largely due to the Moore's law holding good. This also led to the downfall of the earlier companies like RCA, General Radio which failed to see the power of semi-conductors and continued to toe the line of vacuum tubes. The authors feel that we are entering where the customers are being over-served by the increasing power of the semi-conductor devices and there is scope for disruptors to come up with relatively low end innovations which will satisfy consumers not expecting the power of the big semi-conductor players.

Healing the 800-Pound Gorilla

The healthcare industry is in focus in this chapter. The authors trace the history of how various ailments required the services of specialists in those areas and how today same service can be given by a non-specialist. The authors highlight heart surgery which initially required a doctor having specialized in heart surgery. With the advent of angio plasty the open heart surgery was only considered for situations which could just not be addressed by angio plasty. Advent of stents meant that heart surgeons were required only for very complicated cases. The skill level of the person who could cure one of heart problems and hence the cost and recovery period dropped over a period of time.

Managing diabetes was an art and needed close attention of diabetologists. Today even a person with non-medical background can manage a diabetes patient. Thanks to innovations in this field. Today with a small instrument and with just a pinprick one can determine the sugar levels and if required the person can also be injected with insulin in a very controlled fashion with the insulin pens that have come to the fore.

People now are looking for cost and convenience too. Getting an appointment with the doctor can be long drawn and tedious. Whereas getting a nurse to checkup on one is much easier as they are available in plenty. Many of the things like ant-tetanus for which one had to go to the doctor earlier can now be attended to by the nurses. One gets convenience and the cost is less too.

The authors conclude that it is a myth to assume that all patients will reject untested, relatively simple innovation because they are unwilling to take risk with their health. As the knowledge of the patients grow, thanks to the information available in the internet, and as innovations like the insulin pen, provide more convenience people will gravitate towards such disruptive innovations and embrace them wholeheartedly. The authors argue that healthcare is primed for disruptive innovation.

Innovation Overseas

As the companies grow and fulfil the needs of the market in the home country they try to expand overseas. The authors cover how one should pick and choose the geography for growth and how an outsider should evaluate the prospects of an organization trying to grow overseas. Again the basic principles of overshot customers, under-served customers and non-consumers come to play. An organization trying to capture the cream of an underdeveloped country can only progress up to a point. The rest of the market of this country will remain unaddressed. The potential of growth of an organization taking such an approach is limited. Only an organization innovating to address the under-served or on the non-consumers in the other country has the capability of growing big. It is also important to keep the strategy of the country as a whole to understand the possibility of success and failure.

Breaking the Wire

This chapter goes back to the Telecommunication industry and tries to give an prediction on how technologies like Voice Over IP, Cable Telephony, Wireless Data and Developments like Instant Messaging can disrupt the market. They take the example of how DoCoMo succeeded in breaking into the teenage group with i-Mode and how this helped the company grow big.

The authors conclude that a lot will also depend on how the government controls and regulations will drive the growth factor in this industry.

The authors summarize the book in the following sentences

1. Look for signals of change that point to changes to an industry's context or companies using new ways to reach nonconsumers, undershot customers and overshot customers.
2. Evaluate competitive battles by comparing companies using the tale of the tape (historical data and information) and looking to see who has the sword and shield of asymmetries on their side.
3. Watch a firm's important strategic choices that increase or decrease its chances of successfully managing the process of disruption.

The following concepts need to be used to evaluate the outcome of any disruptive innovation

1. Disruptive innovation theory which says that when a company tries to address overshot customers, or under-served customers or nonconsumers then it can lead to disruptive innovation.
2. Resources Processes Values theory which says that these three aspects of an organization needs to be understood to figure out if an organization will succeed in the attempt it is making.
3. Jobs-to-be-done theory states that any innovation which addresses the critical "Job to be Done" of the customer at a lower cost, in a more convenient way will be disruptive.
4. Value Chain Evolution theory states that initially the innovations will tend be tightly coupled and controlled by a single organization. But over a period of time as the industry evolves there will be a tendency to modularize the product or the service. The modules themselves will start off as tightly integrated, but will soon this will modularize too. It is important to understand this tight coupling and modularization process to predict the future of an organisation.
5. Schools of experience states that it is important for an organization trying to create a disruptive innovation to hire the right person. The person should have the right experience to motivate the team to be innovative. A person who has managed, very successfully, a large organization which is in a sustaining innovation mode will be a misfit for an organization which is disruptively innovative. Instead a person who has failed in an organization which was disruptively innovative would be a much better person to hire.
6. Emergent Strategy Theory with supporting discovery-driven planning tool. This theory states that in highly uncertain circumstances, companies need to develop ways to adapt to marketplace signals. Following a hard strategy or plan will be unsustainable. The organization needs to follow a strategy that allows it to keep flexing the strategy as the market keeps changing course.
7. Motivation Ability framework states that the success of an organization depends on the Motivation and Ability of the organization to innovate.

Oli Ogbonna says

I found it quite interesting reading this book about 10 years after it was published.

The first interest is in ascertaining the era that the concepts in the book are applicable to.

When exactly were the authors referring to when they said "Next"?

But far more than that is the validity of the theories they postulated in dealing with effects of innovative thinking and activities of innovators in the market and society at large.

I would say that from an ex-post view point that the theories are worthwhile and still relevant.

They are not all holy writ but good knowledge that can be applied under similar circumstances identified in the book.

I recommend this book to all those involved in the fast changing information and communication technology industry

Rahul Amarasinghe says

Incredible book that expands on the authors previously developed theories of innovation. Unlike previous books, this book was made to help decision makers apply these theories to analyze markets from an outsiders perspective. In the introduction he summarizes the theories and presents them in a way that doesn't require the reader to read his previous works (although it certainly will help cement understanding of the theories).

Although the first part of the book reads more like a textbook, relying mainly on the telecommunication industry to illustrate theories, the second part of the book applies the theories to major industries/markets (Semiconductors, Aviation, Education, Healthcare, Telecommunications again and Overseas) and begins to read more like a story. This book wasn't meant to be engaging, it was to provide readers with a rigorous theory-based approach to analyzing all types of innovations in all contexts. Of course a professor/executive/consultant is going to have a report type writing style. In summary this book provided a wealth of information and sources to further research and master the theories of innovation to predict or develop innovations.

This book was given to me as a gift, after a co-op term, from the Co-Founders and first partner of an up and coming value-based investment shop in Toronto. It's an incredible book that I wish I'd picked up earlier.

Timothy Chklovski says

Good application of the theories laid out in Christensen's et al earlier books. Perhaps best read some time after "Innovator's Solution", to benefit from spaced repetition. Although the book does not add entirely new frameworks, the application to specific industries adds nuance. For example, the health industry is presented as tiers of providers, from patients self-administering tests to nurses to GPs, to specialists and subspecialists, all increasingly moving upmarket as disruptive innovations make treatments easier to administer. Also interesting were the detailed examples of "cramming" -- trying to place an immature innovation into too big and mature a market, as well as examples of how to analyze what processes a company is likely to excel at, and whether those help or hurt in co-opting innovation. Well worth reading, although more for filling in detail rather than charting whole new ways of analysis.

Leoncio Soler says

I enjoyed the book, it describes critical concepts to understand innovation and it's relation to entrepreneurship. The examples are kind of outdated but, the ideas and theories behind them are timeless.

Robert says

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Harvard Business School Press

According to Christensen, "While the two previous books [i.e. The Innovator's Dilemma and The Innovator's Solution] were aimed at managers inside firms who wanted to defend against or attack with a disruption, Seeing What's Next is written for those who watch industries from the outside, and who must make important decisions based on what they see. It will help executives, analysts, investors, and others who have a stake in a specific industry to evaluate the impact of innovations, the outcomes of competitive battles, and the moves made by individual firms -- and to make smarter business decisions, forecasts, and stock recommendations based on those evaluations. The goal here [in Seeing What's Next] is to dramatically increase the odds of getting things right in the arena where wrong decisions could be devastating."

The abundance of material provided in this book will help decision-makers to understand both the opportunities and (yes) the perils of disruptive innovation. Here are a few of the key points: disruption is a process, NOT an event; disruption is a relative phenomenon in that what is disruptive to one company may be sustaining to another; different, even radical technology does NOT equal disruptive; disruptive innovations are NOT limited to high-tech markets. Re this last point, the authors carefully explain that disruption can occur in any product or service market and can even help to explain competition among national economies. (Please see Chapter Chapter 9, pages 207-223). Another substantial value-added benefit of this book is derived from the generously annotated "Notes" at the end of each chapter. Together, these sections (all by themselves) are worth far more the cost of this book.

In a single volume, the authors guide and inform decision-makers in all manner of organizations as they embark on the three-part process by which to (1) identify signals of change, (2) evaluate competitive, head-to-head battles between companies loosely classified as "attackers" and "incumbents" (please see the Glossary), (3) formulate appropriate strategic choices that can influence the outcome of competitive battles, and (4) meanwhile establish and then sustain an effective relationship between innovation and nonmarket forces such as government regulation. Christensen, Anthony, and Roth are to be congratulated for creating what seems certain to become a business book "classic."

RS'S says

good! good!

Jacques Bezuidenhout says

To quote another review that mostly sums it up:

"The points made in this book about distinguishing signals from noise, positioning organizations for response to threats and opportunities and the challenges faced by organizations due to size and resource limitations all make good sense and come through, but the discussions of each theory of innovation are so excruciatingly dense that it became too much to focus my attention any longer." -Kent

You'll save yourself time by just reading <http://hbswk.hbs.edu/item/the-innovat...>

There are some useful ideas, and it is nice to hear about some of the battles in areas/technologies that we take for granted today.

In some areas of the book you get lost in the alphabet soup of acronyms and abbreviations.

This is quite a long book to get through, and I cannot really say that it was worth it. I got what I needed out of Innovator's Dilemma and Solution already.
