

SUCCESSFUL INNOVATION IS a key driver for revenue growth, sustaining completion and, in some cases, even for survival of the business. The ability to bring innovation to market swiftly, efficiently and ahead of competitors is becoming ever more significant. In the 1980s, people depended primarily on telex for communicating, and almost overnight the fax machine made telex machines disappear. And what happened to the faxes? Around 1995, the World Wide Web showed up and the world changed to email and texting.

The transportation sector gives a dramatic, ongoing example of creative destruction at work. With the arrival of steam power in the 19th century, rail roads gave way to enlarging markets that reduced shipping costs. Steam power helped build new industries, and provided millions of new productive jobs. The internal combustion engine paved way for the automobile early in the next century. In the 1920s, America alone saw more than 260 car makers. The swelling automobile business spilled into oil, tourism, entertainment, retailing and other industries. As the world was experiencing upheaval of the automobile, the aircraft flew in, setting off another burst of new businesses and jobs.

Creative destruction is the process of change and adaptation of actual industries to novelties. Many traditional business models are driven out of the market processes by

Creative destruction is unavoidable

Consumers admire an innovative company; would want to buy products from it

VIDYA HATTANGADI

Director and Professor of Strategic Management, Maratha Mandir's Babasaheb Gawde Institute of Management Studies, Mumbai



new technology, new forms of production, new marketing and new business models. Innovation changes the whole character of the market, making it enigmatic and beyond rationale understanding. Creative destruction is a process through which something new brings about the termination of something that has existed for a while. Creative destruction cannot be stopped and it is required for the progress of society. Until we discard the old, new cannot be brought in.

It is a term coined by Austrian American economist Joseph Schumpeter. It is used in almost all walks of life—economics, corporate governance, product development, technology, distribution, supply chain manage-

ment, human resource development, marketing and R&D. We are witnessing creative destruction in the smartphone market. The continuous upgrade of features on smartphones means new models are brought out regularly. In new product development, creative destruction is roughly synonymous with boisterous technology. Another fact about smartphones is that these have killed the market not only for regular cellphones but also for PDAs, MP3 players, point-and-shoot cameras, wrist watches, calculators, voice recorders, among others. So, even if the smartphone killed the market of so many gadgets, it brought with it creativity, hence the term "creative" is used in destruction.



Sony is an apt example. Even in Japan, where consumers remain loyal to the brand, some started giving up on the company. One of the former Sony executives, who has worked for Walt Disney, Bain & Company, Apple and a start-up focused on innovation training, said in an interview he was worried how Sony would bounce back in the over-competitive electronics market. What went wrong with Sony is—it lost opportunities and terrible infighting. It is the story of a proud company that was unwilling or unable to adapt to realities of the global marketplace. Sony's biggest mistake was it failed to ride on some of the biggest waves of technological innovation in recent decades—digitalisation,

a shift towards software and the importance of the internet. Inside Sony, one by one, every speciality where the company competed from hardware to software, from communications to content, turned topsy-turvy by disruptive new technology and unforeseen rivals. These changes only highlighted the conflicts and divisions within Sony.

A glaring fact of human psychology is we think people become habitual to comforting routines—settle into a pattern of eating the same breakfast, watching same shows and buying same products. But, paradoxically, people are also always looking for novelty. Electronic gadgets, white and brown goods, beauty products, designer dresses and cars

are some categories consumers want to try. While brands fill this need for newness with an ever-increasing flow of product launches, many innovations fail miserably in markets.

A research by Nielsen in June 2015—it polled 30,000 customers in 60 countries to find how companies can be seen and sell their products in cluttered markets—titled "Looking to Achieve New Product Success? Listen to Your Consumers" explains the scenario for new product launches. It says consumers have a strong appetite for innovation. They are increasingly demanding and expect more choice than ever before. Globally, 6 in 10 respondents (63%) said they like when manufacturers offer new products, and more than half (57%) said they purchased a new product during their last grocery shopping trip.

Today's reality is that consumers appreciate the fact that a company is innovative and want to buy products from it. Today, innovation is seen as a vital fact in driving purchasing and enhancing the customer's self-image. Many consumers buy a product without fully understanding what it does or how it works, because they feel it is "cool" to be the first one to look innovative to others. Many consumers want to be ahead of others; they are the early adapters. And consumers are ready to pay a premium for innovation.

Clearly, the success mantra is that organisations will sustain in their businesses by inventing, reinventing and listening to the customer's demand for innovation.