INNOVATION AND DISRUPTION

Disruption and Incumbent Failure

Christensen · Anthony · Adner

PAPER 02 / 03

A Furtherance reference compendium on the intellectual traditions behind organisational design, leadership, execution, and culture.

> **IN THIS PAPER**
> The dominant design is where incumbents grow comfortable – and vulnerable. This paper covers disruption and why established firms fail. The question it answers: why do well-run companies lose to seemingly inferior challengers, how can they respond, and why do good innovations still fail?

Christensen explains why doing everything right can doom an incumbent; Anthony makes the response actionable through dual transformation; Adner widens the lens to the ecosystem, where many innovations succeed or fail for reasons outside the firm.

Clayton Christensen The Innovator's Dilemma, 1997

Disruptive innovation

CORE THESIS

Well-managed incumbents fail **because** they do everything right – listening to their best customers and investing in **sustaining** innovations. Meanwhile **disruptive** innovations take root at the low end or in new markets, improve steadily, and eventually displace them. Good management is the trap.

FRAMEWORK

Concept	Meaning
Sustaining innovation	Improves products for existing best customers
Disruptive innovation	Starts inferior, cheaper, at the low end or a new market
The dilemma	Serving your best customers blinds you to disruption
Resources, processes, values	What a firm can and cannot bring itself to do

METHODOLOGY

Case-based theory building, originally from the disk-drive and steel industries.

SIGNIFICANCE AND CRITIQUE

The most influential theory of incumbent failure. The critique, per the caveat: its predictive record and definitional boundaries have been seriously challenged.

Scott Anthony Dual Transformation, 2017 · Innosight

Disruption made actionable for incumbents

CORE THESIS

Incumbents need not be victims. Through **dual transformation**, an established company can **reposition its core** business while **creating the new**, disruptive one – and connect the two through the capabilities that bridge them.

FRAMEWORK

Element	Meaning
Transformation A	Reposition and strengthen today's core business
Transformation B	Create tomorrow's growth engine
The capabilities link	Shared strengths that connect A and B
Spotting disruption early	Read weak signals before they become threats

METHODOLOGY

Applied, consulting-derived frameworks for corporate innovation and response.

SIGNIFICANCE AND CRITIQUE

The leading translation of disruption theory into incumbent practice. The critique: it is consulting-derived and prescriptive.

Ron Adner The Wide Lens, 2012

Innovation ecosystems and dependencies

CORE THESIS

Many great innovations fail not because the innovation is wrong but because of the **ecosystem** around it. Success depends on **co-innovation** (others' innovations you rely on) and **adoption-chain** partners who must act before the end customer benefits. You must map the whole ecosystem, not just your own execution.

FRAMEWORK

Risk / tool	Meaning
Execution risk	Can you deliver your own part? (the usual focus)
Co-innovation risk	Do complementary innovations you depend on exist yet?
Adoption-chain risk	Will intermediaries adopt before the end customer?
The value blueprint	Map every partner the value depends on

METHODOLOGY

Case research reframing innovation outcomes around ecosystem dependencies.

SIGNIFICANCE AND CRITIQUE

Reframed innovation success and failure around ecosystems, not just the firm. The critique: the framing is recent and ecosystem-specific.

A NOTE ON EVIDENCE

A caveat on disruption theory: influential as it is, Christensen's theory has been seriously contested – on the accuracy of its predictions, on how elastically “disruption” gets applied to almost any change, and in prominent critiques questioning its evidentiary base. Use it as a powerful lens for a specific pattern – low-end and new-market entry that incumbents are structurally reluctant to counter – not as a universal law of why companies fail. Many incumbents fail for ordinary reasons of execution and ecosystem, as this paper's other authors show.

Synthesis

Theorist	Question	Key idea	Register
Christensen	Why incumbents fail	Sustaining vs disruptive	Theory (contested)
Anthony	How to respond	Dual transformation	Practitioner
Adner	Why innovations fail	Ecosystem dependencies	Ecosystem lens

FOR THE OPERATOR

Disruption and failure have several faces – the incumbent's dilemma of doing everything right (Christensen), the dual transformation that lets an incumbent respond (Anthony), and the ecosystem dependencies that sink otherwise-sound innovations (Adner). For the operator: watch the low end and new markets you are structurally inclined to ignore, transform the core and build the new in parallel, and map the whole ecosystem your innovation relies on. The final paper turns to how innovation actually gets done – lean, open and search-based.