

Innovation Doesn't Have to Be Disruptive

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Create new markets for growth without destroying existing companies or jobs.



Claire Droppert

The era of international travel began in the mid-19th century, with the golden age of transatlantic ocean-going. The British company Cunard, a leader in the industry, transported millions of immigrants from Europe to the United States around the turn of the 20th century. By the end of World War II it had emerged as the largest Atlantic passenger line, operating 12 ships to the United States and Canada as it captured the flourishing North Atlantic travel market in the first postwar decade.

That golden age came to an end with the advent of commercial jet flights. Whereas one million passengers crossed the Atlantic by boat in 1957, air travel caused that figure to fall to 650,000 by 1965, with roughly six people flying for each passenger going by sea. Ocean liners simply could not match the speed and convenience of jet planes.

But while other oceangoing companies were destroyed by the advent of the jet age, Cunard innovated “luxury vacationing at sea” and opened up the modern cruise industry. Until then ocean liners, like airplanes, had been viewed principally as a mode of transportation from point A to point B. Cunard changed that by making them platforms for recreation and star-studded entertainment.

Today Cunard is part of Carnival Corporation, and the cruise tourism industry it pioneered some 60 years ago generates revenues of about \$30 billion annually and has created more than a million jobs. The creation of the cruise industry was clearly not incremental. Nor was it disruptive—the catchword that has come to dominate the innovation space. On the contrary, cruise tourism did not invade, destroy, or displace any existing market or industry. It was created without disruption.

An Alternative Path to Innovation and Growth

For the past 20 years “disruption” has been a leading battle cry in business: Disrupt this. Disrupt that. Disrupt or die. Whether it comes from the low end—the basis of Clay Christensen’s theory of disruptive innovation—or from the high end, the way commercial jet travel overtook ocean liners and Apple’s iPhone dominated mobile phones, corporate leaders have continually been told that the only way to innovate and grow is to disrupt their industries or even their own companies. Not surprisingly, many have come to see “disruption” as a near-synonym for “innovation.”

But the obsession with disruption obscures an important truth: Market-creating innovation isn’t always disruptive. Disruption may be what people talk about. It’s certainly important, and it’s all around us. But as our research and the case of Cunard reveal, it’s only one end of what we think of as the spectrum of market-creating innovation. On the other end is what we have come to call nondisruptive creation, through which new industries, new jobs, and profitable growth come into being without destroying existing companies or jobs.



Claire Droppert’s Sand Creatures explores scenes of powdery sand exploding in the air and seemingly manifesting as new life forms.

Under disruption and its conceptual antecedent, Joseph Schumpeter’s “creative destruction,” market creation is inextricably linked to destruction or displacement. But nondisruptive creation breaks that link. It reveals an immense potential to establish markets where none existed before and, in doing so, to foster economic growth in a way

that enables business and society to thrive together. In this article we will show how nondisruptive creation can complement disruption by offering an alternative path to market-creating innovation. We’ll begin with the significant impact it can have on growth, jobs, and society.

Three Ideas That Changed the World

Today most women in developed countries take sanitary napkins for granted, but that one innovation created a nondisruptive new market that has radically improved the lives of half the world’s population. Every month women use them to deal with the inconvenience (and messiness) of their menstrual cycles. But that wasn’t always the case. Before the advent of sanitary napkins, women used pieces of old cloth or even sheep’s wool, which were often dirty

and could cause infection. They were uncomfortable, shifted when worn, and failed to prevent visible spotting and leakage. To avoid the embarrassment this caused, girls frequently stayed away from school for several days during their monthly cycles. Sanitary napkins took much of the stigma and dread out of menstruation: Girls could go to school and play sports without worry, and women could more easily work. Today the sanitary-napkin industry generates revenues of more than \$22 billion a year.

Consider microfinance, an innovation that has transformed the lives of many of the world's poorest people by making financial services available to those who subsist on less than a few dollars a day. Before the advent of microfinance, no bank or other financial institution was prepared to serve them, deeming them unsuitable as borrowers. By finding a way around that problem, Muhammad Yunus, the founder of Grameen Bank, enabled people who had previously been denied access to capital to create new microbusinesses, jobs, higher standards of living, and hope. Microfinance has become a multibillion-dollar industry with a staggering 98% loan-repayment rate and plenty of room for future growth.

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Now consider the television program *Sesame Street*, which teaches preschool children how to count, name colors and shapes, and recognize the letters of the alphabet. The best part is that kids have so much fun watching it, with its lovable Muppets and songs, that they don't even realize how much they're learning. *Sesame Street* did not displace preschools, libraries, or even parents who were reading bedtime stories to their children. Rather, it gave rise to a new industry—preschool edutainment—that for the most part had not existed before. Today it is a multibillion-dollar industry. And *Sesame Street* has become the most successful, longest-running children's television show in history, winning scores of Emmy Awards and 11 Grammys. It has viewers in more than 150 countries.

Although those three cases are disparate, they are all examples of nondisruptive creation. As our book *Beyond Disruption* shows, there are many others, in fields as diverse as cybersecurity, men's cosmeceuticals, environmental consulting, life coaching, pharmaceuticals, and smartphone accessories—not to mention the emerging space tourism industry led by companies such as Virgin Galactic, SpaceX, and Blue Origin. All those have created or are creating new multibillion-dollar industries, growth, and employment, without displacing any existing markets, players, or jobs.

A Distinct New Concept

From the examples we've just presented and the others we've studied, we've identified three fundamental characteristics of nondisruptive creation. First, it can occur with either new or existing technology. It may stem from a scientific invention or a technology-driven innovation, as sanitary pads and space tourism did. But it can also be generated without such innovation, as was the case with microfinance, or with a new combination or application of existing technology, as with *Sesame Street*, which leveraged television.

Second, nondisruptive creation is applicable across geographic areas, from developed markets to bottom-of-the-pyramid markets, and at all levels of socioeconomic standing. *Sesame*

Street and sanitary pads were created in and initially for developed economies, while microfinance was created in and initially for the bottom of the pyramid. Cunard cruises were initially for people in the upper to middle tiers of socioeconomic standing, and microfinance was initially for the lower tier.

Third, nondisruptive creation can be new-to-the-world innovation, but the two are not equivalent. For one thing, many new-to-the-world innovations are disruptive, as commercial jet travel was to ocean liners. For another, nondisruptive creation can be new to an area but not new to the world. Take Ping An Good Doctor, which built a nondisruptive market of primary health care in China. No such service had existed there before, whereas the West, for example, already had a primary care market.

From Blue Ocean Strategy to Nondisruptive Creation

After the publication of our books *Blue Ocean Strategy* and *Blue Ocean Shift*, a question repeatedly popped up from ...

What all this means is that nondisruptive creation is not the same as—nor should it be confused with—scientific invention or technological innovation or new-to-the-world products or services. Nor is it concerned with a specific geographic market, such as the bottom of the pyramid, or a certain socioeconomic level, such as the low end. It is distinct from existing innovation concepts and can be defined as “the creation of a brand-new market beyond the boundaries of existing industries.” That means that no existing market or established players are disrupted and fail, and no jobs are lost. (For a discussion of our research on this, see the sidebar “From Blue Ocean Strategy to Nondisruptive Creation.”)

How the Economic and Social Impacts Differ

Consider these examples: Netflix versus Blockbuster, Amazon versus booksellers and Main Street retailers, and Uber versus taxis. They come from different industries, but they have three key factors in common: They’re all cases of disruption. They all reflect a clear win-lose situation. And they all impose painful adjustment costs on society. Let’s explore this.

On the positive side, consumers win big-time. That’s why people gravitate to disruptive offerings. For a product or a service to disrupt, it must deliver a leap in value (typically underscored by a new business model); otherwise the industry won’t be thrown into disarray, and purchasers, whether they be businesses or consumers, will see no reason to shift from the incumbent offering to the new one.

In economic terms we can say that the consumer surplus delivered by the disrupter is high, and society’s resources are allocated where they are deemed to be better used. That’s why disruption tends to grow industries as well as upend them: The compelling value it unlocks draws people who didn’t previously purchase incumbents’ products or services, and it inspires incumbents’ existing customers to use the new offerings more frequently. For example, more people watch Netflix than used to rent DVDs from Blockbuster, and more people take digital photos than ever took photos with film—just as more people cross the ocean in planes than ever did on ocean liners, and with greater frequency.

But growth here is achieved in a win-lose way. The disrupter's success comes at the direct expense of existing players and markets. Which brings us to the second commonality: Disruption imposes a clear trade-off between winners and losers. In some cases one wins and everyone else loses. That's because the leap in consumer surplus provided by the disrupter can nearly wipe out the existing industry and its incumbent players. Amazon didn't merely displace Borders' 1,200 stores, along with countless independent booksellers, and take a huge chunk out of Barnes & Noble's sales. It is now doing the same to Main Street retailers and department stores in the United States and other countries it operates in.

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Although the disrupter is hailed as a winner in the press, and purchasers and investors flock to it, this win-lose approach triggers the third commonality: painful adjustment costs for society, often hidden by the euphoria and glamour that surround disruption. For example, in New York City, Uber's largest U.S. market, the company has had a huge impact on taxi drivers and medallion owners who bought the right to operate a taxi in the city. Long seen as a retirement ticket, taxi medallions have plunged in value from more than \$1 million to as little as \$175,000 since the appearance of Uber and other ride-hailing services, and taxi drivers' earnings have nosedived by as much as 40%. Many drivers must now work double shifts just to survive. Bankruptcies, foreclosures, evictions, and even suicides have resulted. Such negative aftershocks are felt worldwide in major cities that Uber and similar services have entered. The same disruptive force that has enriched consumers with its leap in value has hurt others in the process. The human costs of Amazon's disruption are even more pronounced: Retail jobs may not be glamorous, but they provide a livelihood for millions of people. And the visual effect of boarded-up stores wears on people's psyches and tarnishes a community.

In theory, disruption should generate higher growth and new jobs, but painful adjustment costs exist in the short run. For example, Amazon's disruption of booksellers and retail has led to as many as 900,000 jobs lost and huge existing-asset obsolescence. And although Amazon's workforce had climbed from 200,000 to 800,000 when Covid hit, and its net positive impact on jobs and growth has increased since, the jobs it is creating are not necessarily located where the old jobs were lost and may not rest on the same skills and knowledge as those of the workers let go. People who were laid off may still be reeling, especially if they're in rural communities where local jobs were scarce to begin with.

Even though, at the macro level, disruption yields aggregate long-run growth, the ensuing adjustment costs often trigger a backlash from social interest groups, government agencies, and nonprofit associations seeking to minimize the carnage. (Of course, if an industry has a pronounced negative effect on the environment or the well-being of people, the trade-off may be small relative to the overall benefit to society of disrupting and displacing that industry.)

Adjustment costs are where nondisruptive creation breaks from disruption. By effectively disentangling market creation from market destruction, it allows organizations to grow with little asset obsolescence and social pain. All else being equal, it can be seen as a positive-sum approach to innovation—a much-needed complement to disruption as a pathway to growth. Let's explore that idea.

Disruption vs. Nondisruptive Creation

The impact of nondisruptive creation can be distinguished from that of disruption at three levels. The micro level focuses on individual organizations, the meso level on groups or their interactions, and the macro level on the economy or society.

Level	Disruption	Nondisruptive creation
MICRO	Generates growth through the displacement and expansion of existing market space	Generates growth through the creation of new market space beyond existing industries
MESO	Produces a win-lose outcome Winners: the disrupter and consumers Losers: disrupted organizations and their employees	Produces a positive-sum outcome Winners: the nondisruptive creator and consumers Losers: none evident
MACRO	Incurs social adjustment costs from shuttered organizations, lost jobs, and hurt communities Short-term growth comes with social pain, although the net gain in growth over time is positive	Incurs no evident social adjustment costs because there is no displacement The gains in economic growth and employment are positive from the start, with no social pain

Toward a Positive-Sum Outcome

Like disruption, nondisruptive creation delivers compelling value for buyers, whether they are consumers or businesses. That's why we purchase or use the product or service, and the new market materializes. Without exceptional value, the new market will not take off. In contrast to disruption, however, nondisruptive creation produces no evident losers and only minimal painful adjustment costs. From the start it has a positive impact on growth and jobs.

Kickstarter, for example, saw that literally thousands of people had wildly imaginative projects they dreamed of creating but lacked the capital to pursue. Because most artists are aiming first and foremost to realize a vision, not to generate ROI, it should come as no surprise that Kickstarter's online crowdfunding platform didn't eat into the existing finance industry or displace even a tiny share of existing equity investors' or venture capitalists' profits, growth, or investment opportunities. And because backers receive no monetary incentives on Kickstarter—only cool merchandise or other recognition, such as a shout-out on the creative's website—a new set of investors emerged: people who care about creative work and want to help others realize their dreams.

Hailed after its launch as one of Time magazine's 50 best inventions of the year, Kickstarter succeeded while creating few if any losers. Within three years of its advent it became profitable, and in its first decade it raised a staggering \$4.3 billion for projects supported on its platform, funding more than 160,000 ideas that might have gone unrealized otherwise. According to a

study at the University of Pennsylvania, Kickstarter estimates that more than 300,000 part-time and full-time jobs were created by its projects, along with 8,800 new companies and nonprofits, generating more than \$5.3 billion in direct economic impact for those creators and their communities. No one lost a job because of Kickstarter, and no company went out of business because of it. It helped the artistic community flourish without unleashing hurt or painful adjustment costs. That was pretty much a win all around.

The Rising Importance of Nondisruptive Creation

Ever since the Nobel Prize–winning economist Milton Friedman introduced his theory of shareholder primacy, there has been a presumed trade-off between maximizing economic gain and social good. Friedman’s theory, which is at the heart of capitalism as we know it today, asserts that “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits.” Social issues beyond that fall outside the proper scope of the enterprise.

Yet for all the economic benefits this approach has brought, it is increasingly being challenged as the world wakes up to the costly social effects that result from the pursuit of profit maximization. And the public is becoming increasingly vocal about them, demanding that corporations expand their mission beyond profit and consider the impact of their actions on local communities and society at large. The result is an increase in discussions about the need for a socially responsible form of capitalism. Nondisruptive creation speaks to this, not by compromising economic good but by innovating new markets without destruction.



Claire Droppert

The influence of the fourth industrial revolution also underscores nondisruptive creation's growing importance for the future. AI, smart machines, and robotics are on track to deliver previously unimaginable efficiencies, but they will do so by replacing an increasingly wide swath of existing human jobs. Studies show that smart machines are expected to displace about 20 million manufacturing jobs worldwide over the next decade, more than 1.5 million of them in the United States. Other studies predict that smart machines, robotics, artificial intelligence, blockchain technology, 3D printing, and automation will put 20% to 40% of existing jobs at risk over the coming decades, including a range of high-end jobs across most sectors, from medical to legal, finance, real estate, and journalism. And as recent advances show, AI is even capable of creating beautiful original art and music.

To absorb all the released human capital, new jobs will be needed—which brings us right back to the central driver of economic growth: market-creating innovation. The success of technology and the productivity it unleashes raise the premium on creativity and the establishment of new markets. The challenge for companies, governments, and society will be to create new jobs that don't displace others. That is as much an economic imperative as it is a moral one—which is another reason why nondisruptive creation is about to become even more important.

Microfinance has given nearly 140 million people loans to start microenterprises and be gainfully self-employed. Life coaching, another nondisruptive industry, is estimated to have created tens of thousands of new jobs. Environmental consulting has given rise to thousands of new jobs, and that number will no doubt grow as public concern mounts over environmental degradation. Nondisruptive creation is not the sole answer to the challenges we face; many other pieces of the puzzle are needed. But it should be part of any solution.

Identifying Nondisruptive Opportunities

So how can organizations go about finding and realizing opportunities for nondisruptive creation? To answer that question, we studied whether a pattern lies behind successful nondisruptive creations—and if so, what it looks like. Our aim was to codify the recurring thought processes and actions of nondisruptive creators so that other organizations could use them for maximum effect.

Three building blocks are key to nondisruptive creation: Identifying a nondisruptive opportunity, finding a way to unlock it, and securing the enablers needed to realize it in a high-value, low-cost way. In this article, because of space limitations, we focus on the first one. There are two main ways to identify a nondisruptive opportunity.

Address an existing but unexplored issue or problem.

Nondisruptive markets are created by solving a brand-new problem or uncovering a brand-new opportunity beyond existing industry boundaries. That doesn't necessarily mean that the problem or the opportunity suddenly popped up. It may have long existed but—importantly—has remained unexplored because it wasn't seen as a problem to solve or an opportunity for creation. Sometimes people have consciously or unconsciously accepted it as simply "the way things are." Sometimes a reputable organization or individuals may have tried long ago to address the issue and failed, so people regard it as essentially impossible. And sometimes it

may be taken for granted and accepted because people have patched together some form of nonmarket solution to the problem—as women did before the creation of sanitary pads.

Take Square (now Block). Jim McKelvey and Jack Dorsey, the founders, saw that individuals and microbusinesses were losing sales because they couldn't accept credit card payments. That problem had long existed but had somehow been accepted as a natural struggle that goes hand in hand with running a small business. It was McKelvey's direct loss of a sale for his glassblowing business that highlighted this existing but unexplored problem and made the two men passionate about solving it as they realized how many would benefit from this new market, from small businesses to pop-up shops, ice cream trucks, and even babysitters. Square's solution, the Square Reader, created a nondisruptive new market. It had little if any effect on existing merchants and their credit card providers, and Square quickly grew into a billion-dollar company without facing any real backlash or fight from established players.

The idea that we can create new markets and grow without disrupting others suggests that business does not have to be a destructive, fear-based, win-lose game.

On a smaller scale, consider Mick Ebeling, Daniel Belquer, and their Not Impossible Labs. The fact that deaf people can't experience music had long been taken for granted as an unfortunate fact of life. Ebeling and Belquer, however, saw it not as the inevitable destiny of the deaf but as a brand-new opportunity to innovate. So they and the rest of the team at Not Impossible Labs set out to change things with Music: Not Impossible. They realized that although sound vibrations enter the brain through the ears, it is the brain that "hears." So to get vibrations to the brain, they used the skin instead of the ear, developing a wearable vibro-tactile device for deaf concertgoers—a vest, to be worn over a shirt, that contains a full sound system of 24 lightweight vibrators strategically placed at the waist, the neck, and the shoulders. The result was the world's first rock concert for deaf people. Music: Not Impossible is now scaling up the delivery of its offering across the globe, from a music festival in London to an opera house in Philadelphia to the Brazilian Symphony Orchestra to silent discos at Lincoln Center, reaching out to the deaf and the hearing alike.

GoPro, Liquid Paper, Pfizer's Viagra, Prodigy Finance, and, going back in time, the humble but indispensable windshield wiper and the dishwasher are just a few more of the countless nondisruptive creations generated by tackling existing but unexplored issues and problems with market solutions.

Address a newly emerging issue or problem.

Socioeconomic, environmental, demographic, and technological changes that have an impact on society or people's lives give rise to new problems, opportunities, and issues. Offering an effective market solution to an emerging need or opportunity—beyond existing industry boundaries—opens the door to a nondisruptive new market. Consider the Tongwei Group, a Chinese aquatic-feed producer. Mounting global pressure for clean, low-carbon energy created a new push in China for green sources of energy, especially in the eastern and central regions, where industrial activity was concentrated and power demand was rising. Those regions are densely populated, with rural land reserved for agricultural use, leaving scant space for green-energy production facilities.

Seeing this emerging need, the Tongwei Group set out to create a brand-new, nondisruptive market by leveraging its business, which serviced millions of acres of fish-farm waters in eastern and central China. Although aquaculture was already an important source of revenue for individual farmers and local governments, Tongwei determined that the economic value of those water resources could be multiplied by using the water's unutilized surface to produce green energy.

So the company created a nondisruptive, fishery-integrated, photovoltaic industry, which essentially combined an innovative cage-type aquacultural system that it had developed with a water-based photovoltaic system. Solar panels set above the water had the effect of lowering water temperatures and reducing photosynthesis and algal growth, which boosted the output of the fish farms. Meanwhile, Tongwei generated electricity with the solar panels. The results of this nondisruptive creation were higher incomes for fish farmers, a new source of green energy for the regions, more tax revenues for local governments, and a highly profitable new business for Tongwei. Tongwei's new market disrupts no one and is expanding rapidly across China.

Consider another nondisruptive market: e-sports. Youths had a fast-growing interest in watching skillful professionals play online video games, whether or not they were gamers themselves. In response, video-game makers and third-party e-sports organizers created professional in-person tournaments in which the most skilled players could compete in spectacular global events, held in massive arenas, with as many as 50,000 people in attendance and the players' moves projected on panoramic screens. They entered into lucrative agreements to broadcast the events live around the world, with up to 100 million fans watching. In this way e-sports was crafted into a spectator sport distinct from gaming itself. Today the industry pulls in more than \$1 billion in revenue and has some 175 million fans worldwide. Its creation and growth have not displaced any existing gaming or other sports industries.

The relevant questions are: What taken-for-granted problems that no industry exists to solve do you or your company observe or directly experience? What newly emerging issues are you or your organization encountering that have no industry addressing them and could create a real opportunity for you, your business, or the world? Are you actively scouting brand-new problems to solve and brand-new opportunities for creation? Do you have a mechanism, a process, or tools for doing so effectively?

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As we seek to address the many challenges facing our planet and humanity, we will need innovative market-creating solutions. If they can be nondisruptive rather than disruptive, we believe, they will help bridge the gap between business and society, bringing people together rather than dividing them.

Much of business is about aggression and fear: beating the competition, stealing market share, disrupting or being disrupted. Most of us dislike those emotions and behaviors because they fill us with anxiety, making us feel we are under threat and may be marginalized or destroyed if we don't strike first. It's a scarcity-based view of the world. What if we could shift from fear to hope, from a mindset of scarcity to one of abundance? The idea that we can create new

markets and grow without disrupting others suggests that business does not have to be a destructive, fear-based, win-lose game.

To be sure, fear can be effective. "Disrupt or die" is a strong motivator for an organization to act. But the hope of making a positive-sum contribution to business and society is equally strong. That's why it's important to understand and act on both ends of the spectrum of market-creating innovation, and why nondisruptive creation is an essential complement to disruption. Each has a role to play in building a compelling future.