

SEEING WHAT'S NEXT

Using the Theories of Innovation to Predict Industry Change

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The Web site for this book is at www.seeingwhatsnext.com.

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MAIN IDEA

Is it possible to actually see what's next in the marketplace, or do we always have to wait for market forces to make themselves obvious? This is more than just a matter of idle curiosity. For investors, business managers and others, long-term success depends on being able to consistently predict the fate of firms, industries and new technologies. Fortunately, a four-step process is available which allows us to rationally look into the future and forecast in a repeatable and methodical fashion how the various competitive battles of the marketplace will turn out.

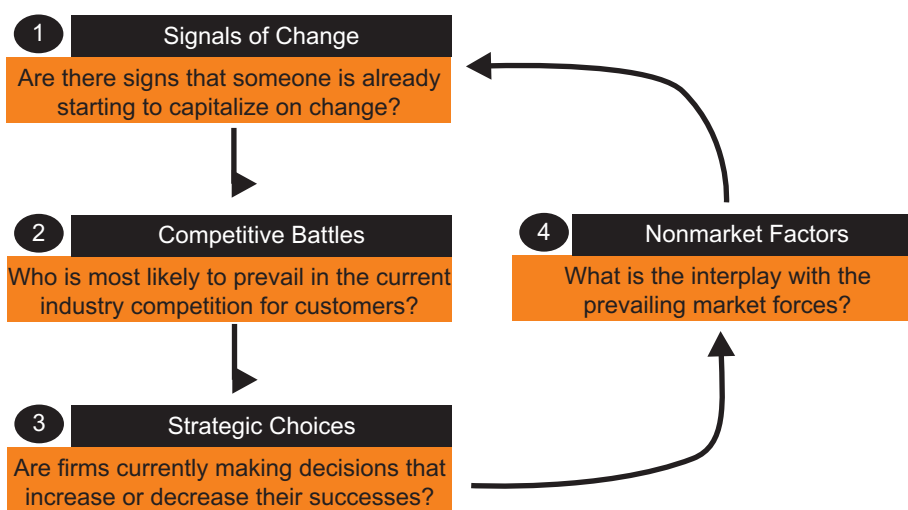
The four step process revolves around determining the answer to four straight-forward questions about an industry:

1. Are there signs that someone is already starting to capitalize on the opportunities for change that may have arisen?
2. What is the most likely result of the head-to-head battles for market share?
3. Are the industry participants currently making decisions that enhance or degrade their ultimate chances of success?
4. How will nonmarket forces like government regulations help decide which firms prosper in this industry over the long haul?

“The historian in all of us cares about the past. The decision maker in all of us cares about the future. The good news is that theory that explains the past can – if used properly – provide insight into the future. Using theory in a meticulous, rigorous fashion can shine a light where darkness once prevailed. It can thankfully bring an end to an era when hucksters and augurs made their livings telling splendid tales to desperate disciples who needed something, anything to guide their decision-making processes. Using theory allows us to see the future more clearly and act more confidently to shape our destiny.”

– Clayton Christensen, Scott Anthony and Erik Roth

The Process for Predicting Industry Change Using the Theories of Innovation



1. Signals of change Page 2

The first part of the analytical process is to identify industries where change is possible and likely. In other words, you want to identify those situations where the future will be materially different from the past. This difference will be generated by the emergence of new and novel products, services, business models and firms.

2. Competitive battles Page 3

The second step in the analytical process is to evaluate the competitive battles occurring within an industry. Typically, these are head-to-head battles for market share between incumbents and new entrants aspiring to take market share. It's important to understand who is likely to come out on top.

3. Strategic choices Page 4

The third step in the process is to watch how firms respond to potentially disruptive attacks. Assess whether the new market entrants are realizing the full potential of their innovations, or whether the incumbents are making rational decisions that will have the effect of neutralizing the attackers.

4. Nonmarket factors Page 5

Many industries – for example, health care, financial services and education – are heavily influenced by nonmarket forces like government regulations. To understand the future of these industries, you need to have an understanding of the interplay between new innovation and those nonmarket entities.

5. Examples of the process in action Pages 6 - 8

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