The Role of Disruptive and Sustaining Innovation in the Digital Era

Blackberry as disruptive, sustaining and fading technology

Module One
Abstract

This paper examines how Blackberry has gone through the full cycle of being disruptive, sustaining, and recently considered to be a fading technology. The Blackberry was once labeled one of the best innovations of the 21 century. Today the technology is rapidly losing market share to competitors such as Apple and Google. Using Mr. Christensen’s insights and guiding principles in the Innovator’s Dilemma (2003), Blackberry technology will be analyzed to explain its rise and apparent fall.
In 2001, Blackberry was named the "Hottest Product" by Forbes Magazine (Blackberry, 2001). Today, Research In Motion (RIM), the Blackberry’s technology inventor, struggles as its stock drops 15% below (Devork and Weinberg, 2011) expected revenue in Q2 2011, and the company’s investors are urging the company to sell itself (Wasserman, 2011). RIM is a great example of Mr. Christensen’s theories on disruptive and sustainable technologies.

RIM did not invent e-mail, wireless networks, or handheld communication devices. But starting with the 8500 model, Blackberry made e-mail readily accessible with little effort from the recipient. The high-resolution display and small yet serviceable thumb keyboards have forever changed the design aesthetic for personal digital assistants (PDA), while the email enterprise approach became the standard by which all connected handhelds are measured. The product was a huge success among “non-techie” executives, opening the eyes of corporate America to the new potential of wireless communications as never before (BBGeeks, 2008).

The Blackberry 850 is perfect example of disruptive technology. The technology integrated email into the wireless PDA, which was mostly appreciated by the enterprise. It provided corporate data access for businesses with a mobile workforce. The technology addressed a need that was lacking in the niche market of enterprise. At the time of the product release, the consumer market was mostly focused on either Palm Pilots or pagers.

According to Mr. Christensen, disruptive technology creates an enormous value in an underserved market or new market. Additionally, the main stream customers are not interested in disruptive technology either because they have not discovered a use for it, or don’t have the means to support it (Christensen, 2003). In the case of the Blackberry 850, the technology was considered disruptive because it addressed the need of the enterprise niche market. The product was simple, easy to use, yet powerful enough to keep its mobile work force connected. At that
time, the main stream consumers and organizations were relying on two way pagers for their communication.

In addition to focusing on new markets, Mr. Christensen points out that organizations producing disruptive technology tend to not be obsessed with high profit margins during the technology introduction phase (Christensen, 2003). This was the case for RIM. While the organization was an established supplier of two-way pagers and software connectivity tools, it was not big enough to be hindered by meeting the expectations of high profit margins from its shareholders or entrenched processes to hold back its innovation.

The success of the Blackberry 850 was followed by successful releases of various devices running on a variety of networks such as GSM and CDMA. The ubiquity of these BlackBerry devices in the corporate environment and the often compulsive use of its ability to quickly send and receive e-mail, have earned it the nickname "Crackberry"; in a reference to users “addict” like dependency. Each new product release was an improvement on the previous version, meeting its new market demands. It is safe to conclude that this success was the beginning of the Blackberry technology transfer from disruptive to sustaining technology.

Throughout early to mid 2000, RIM saw a steady growth in its financial portfolio as it successfully penetrated the enterprise world and Blackerry became a must have for every corporate executive, as well as their support staff (Google Finance 2011). By mid 2000 RIM quickly jumped on the smartphone bandwagon with its Blackberry Pearl 8000-series, and hit the 5 Million subscribers mark. As the company continued to improve on its Blackberry pearl series, it expanded into the consumer market hitting 32Million subscribers by mid 2009 (PCWorld, 2009). Blackberry growth throughout the 2000 decade is a perfect example of sustaining technology.
According to Mr. Christensen, sustaining is an incremental improvement of established technologies (Christensen, 2003). Since the Blackberry 850/950 series, RIM was modifying the product incrementally in looks and functionality to meet its customer needs. Similarly as the smart phone technology grew and stabilized, so did the Blackberry product features and designs per marketing research regarding customer needs. Another trait of an organization operating in sustaining mode, is its requirement for higher profit margin as it grows in size. This was evident in RIM operation when it moved beyond its enterprise customer base to mainstream consumer.

While Blackberry was stabilizing and establishing itself in the enterprise and consumer market, Apple iPhone, and most recently iPad, has been building its image as a disruptive technology. The devices are similar in form and functionality but differ widely in the number of available applications to download. Other players in the market such as Google Android phones and tablets have a head start on RIM Blackberry and Playbook. This proves Mr. Christensen’s point that established companies often jump late on the bandwagon of the latest technology.

As Blackberry leadership falls to the fourth place within two years of its crowning, many wonder if Blackberry is becoming a fading technology (The Economic Times, 2011). Recently RIM has announced its earnings are slipping (Devork and Weinberg, 2011) for the last 2 quarters as some of its investors are urging the company to sell itself (Wasserman, 2011). As Mr. Christensen explained in his book, the Innovator’s dilemma, organizations rely on their customers and investors for resources (Christensen, 2003). Unless they are aware and manage such dilemma to invest in new and unknown disruptive technology, they would eventually be abandoned by their customers and investors and lose market share to the latest upcoming yet successful technology. Unfortunately for RIM, this appears to be precisely the case.
References


The Economic Times (August 6, 2011) Market Share. Apple 'crowned' global smart phone leader; BlackBerry slips to fourth spot. Retrieve from
Running Head: The Role of Disruptive and Sustaining Innovation in the Digital Era


Wasserman, Todd (September 6, 2011) Mashable. *RIM Investor Urges the Company to Sell Itself REPORT.* Retrieved from


By submitting this assignment for a grade via Blackboard other electronic method, I am affirming that I have neither given nor received inappropriate assistance on this assignment nor do I know of anyone else having done so. I recognize that violations of this pledge diminish the value of the SEU graduate degree and will result in sanctions as outlined in the Student Handbook and in the University's Academic Integrity Policy.