The Real Disruption Playbook

Idea In Short

Before you spend another budget cycle reacting to the latest company called disruptive, check whether it actually fits Clayton Christensen's original definition. Genuine disruption starts at the low end of a market or in a segment nobody serves, then climbs upward over years while incumbents look the other way. If a new entrant is instead winning your best customers with a better version of what you already sell, that is sustaining innovation and it calls for a fight, not a retreat. Getting the label right tells you whether to defend your core business or build a separate low-cost offering before someone else does. Misreading the signal wastes resources on the wrong threat and leaves the real one unchallenged until it is too late to answer.

Executives reach for the word disruptive whenever a competitor rattles their industry and that habit has drained the term of the precision that once made it useful. Clayton Christensen coined disruptive innovation to describe one specific competitive sequence, not every instance of market upheaval and the difference matters because it changes what a leadership team should do next. Misread an ordinary competitor as a disruptive threat and you may divert resources from your healthiest business to defend against the wrong danger. Dismiss a genuine disruptor as a low-margin irrelevance and you may lose the market before you recognize the fight was already underway. This article walks through what the theory actually says, the two forms disruption takes, three examples that fit the pattern cleanly and the widely cited case that does not.

What Disruption Actually Means

Christensen introduced the concept in a 1995 article and expanded it in his 1997 book, The Innovator's Dilemma. He watched the term spread so far beyond its original meaning that he later wrote a correction, noting that people had started applying it to any situation in which an industry gets shaken up.1 That looseness, he argued, strips the concept of its predictive value.

The precise definition describes a smaller company with fewer resources entering a market at the low end or in a segment nobody is serving, then moving upmarket over time until it challenges the established leaders. The disruption is the entire climb, not a single product launch and that climb typically takes years and rarely looks threatening at the outset. A disruptor's early product is usually worse than the incumbent's on the measures existing customers value most, which is exactly why established players feel safe ignoring it.

The mechanism explains why capable, well-run companies lose to competitors that looked weak at first. A new entrant claims the least profitable part of a market, the part the incumbent is glad to give up because defending it would pull resources from higher-margin customers. That retreat looks like sound management at every individual step and it is, in the short run. The entrant then improves its offering and climbs into the same profitable segments the incumbent once considered untouchable and by the time the threat is recognized, the higher ground has run out.

Sustaining Innovation Plays a Different Game

Sustaining innovation moves in the opposite direction from disruption and setting the two side by side is what makes the distinction useful rather than academic. A sustaining innovation makes an existing product better for the customers a company already serves, whether through incremental refinement or a genuine leap in performance. Because the improvement targets the same demanding customers the incumbent already has, the incumbent has every reason to notice and respond. That response is usually a fight:

> matching features, cutting prices or accelerating its own product roadmap to hold the position

Disruptive innovation starts from a foothold the incumbent does not value, either the low end of the market or a group of people the market has never served. Its early product is weaker on the dimensions established customers care about but adequate on the dimensions that matter to its new audience, such as price or convenience. Because the incumbent does not see its own customers at risk, it tends to ignore the entrant or retreat from the contested segment entirely. That difference in response, fight versus retreat, is the practical reason the label matters for how a company allocates its defense.

Two Roads Into a New Market

Christensen identified two distinct paths a disruptor can follow and each begins from a different kind of opening.

1. Low-end disruption enters at the bottom of an existing market, using a lower-cost model to win over customers the incumbent is content to lose because those customers generate its thinnest margins
2. New-market disruption creates a segment where none existed before, reaching people who were previously priced out or otherwise excluded from buying the product at all

The line between the two comes down to who the new customer actually is. Low-end disruption competes for buyers the incumbent already has but does not value highly, while new-market disruption reaches people who were never customers of anyone in the category. Both paths share the same eventual arc:

> an entrant improves steadily from its original foothold until it can compete for the customers the incumbent cares about most

Recognizing which path a competitor is on tells you where the fight will eventually land, even while the entrant still looks small.

Three Examples That Fit the Pattern

Concrete cases make the theory easier to apply than the definition alone. Each of the following followed the disruptive sequence in full, which distinguishes them from the many industry upheavals casually labeled disruptive that never actually climbed from an overlooked foothold.

The Transistor Radio

In the early 1950s, the radio market centered on large, expensive home consoles prized for their sound quality and the companies that built them had no reason to chase anything smaller. Texas Instruments introduced a compact, inexpensive transistor radio in 1954 with tinny audio that appealed mainly to teenagers who could not otherwise afford a radio of their own.2 Console manufacturers saw a low-margin novelty and ceded the segment without a fight. Portable audio then improved steadily through later decades and the home console gradually disappeared from the market it once defined.

Retail Health Clinics

Large hospitals handle everything from minor infections to major surgery and specialized procedures earn far more than routine visits, so hospital systems have little reason to compete for basic care. Retail clinics such as CVS Health's MinuteClinic claimed that routine segment first, staffing simple visits at a fraction of a hospital's cost, then expanded into more complex services over time. The hospital incumbents, focused on defending their higher-margin work, had no incentive to contest the low end until the clinics had already built scale well beyond it. That sequence, an overlooked segment claimed first and a slow climb afterward, is the low-end disruption pattern in its clearest form.

Netflix's Slow Climb

Netflix began by mailing digital video discs (DVDs) to a niche of customers willing to wait a day for delivery, a proposition that held no appeal for video rental chains built around same-day impulse rentals. Blockbuster and its peers saw a mail-order niche, not a threat to their storefronts and treated it accordingly. As broadband spread and streaming technology matured, Netflix moved from that narrow foothold into the mainstream market and eventually displaced the rental model those incumbents had never adjusted to defend. The company's later reinvention as a streaming service continued the same climb the mail-order business started years earlier.

Why Uber Fails the Test

Uber is the example most people reach for first and by Christensen's own analysis it does not qualify as disruptive innovation. In a 2015 article revisiting his theory, he argued that Uber operates as a sustaining innovation relative to the taxi industry, because it never established a low-end or new-market foothold before competing for mainstream riders.3 The company launched a better service aimed squarely at the same customers taxis already served and simply served them more effectively than the incumbents did.

That is the signature of a sustaining innovation:

> it improves an existing offering for an existing customer base rather than climbing up from a segment the incumbent ignored

The fact that taxi companies suffered real financial damage does not change the mechanism by which that damage occurred. Christensen's critics pushed back hard on this reading, arguing that Uber's technology-driven business model represents a meaningful break from taxi dispatch regardless of which customers it targeted first.4 The disagreement itself illustrates why the definition needs defending:

> without a precise test, the word disruptive can be stretched to cover almost any successful new entrant

Christensen did allow that Uber could still become disruptive later, if it built a genuinely low-end offering such as a cheaper alternative to owning a car. What Uber did to the taxi industry, though, was win the mainstream head-on and that distinction is more than semantic. A sustaining innovation provokes incumbents to fight, because the threat sits inside the market they already defend, while a disruptive one lets an entrant take hold before anyone notices. Mislabeling one as the other leads directly to the wrong prediction about how a market will respond.

Turning the Framework Into a Decision

Disruptive innovation is a theory of competitive response and that predictive quality is what makes it worth applying carefully rather than invoking loosely. Diagnose a new entrant correctly and a leadership team can predict whether its existing organization will defend the contested ground or quietly abandon it and can position accordingly before the outcome is obvious.5 The Harvard Business School (HBS) professor spent decades refining this framework precisely because he saw executives misapply cruder versions of it and his influence on how business schools teach competitive strategy continued well after his death in 2020.6

The practical task facing any management team is judgment under uncertainty, sorting entrants that warrant a direct defensive response from those that call for building a separate low-cost venture before a competitor builds one first. Watching every new competitor as an existential threat wastes resources that a genuine disruptor will eventually require. Ignoring every unglamorous entrant at the bottom of the market risks repeating the exact mistake the theory was built to explain. Applying the distinction consistently, foothold first, mainstream customers second, gives a leadership team a test it can run before a rival's intentions become obvious, rather than after the market has already moved.

- 1What is disruptive innovation?
- 2The transistor radio fueled a teenage social revolution
- 3The anomalies of disruption
- 4Why Clayton Christensen is wrong about Uber and disruptive innovation
- 5Disruptive innovation: definition, types and examples
- 6Clayton Christensen, pioneer of disruptive innovation, dies at 67

Summary

Disruption is not a synonym for change. It is a specific competitive sequence: a smaller entrant claims a foothold an incumbent will not defend, then improves enough to climb into the profitable core of the market. Sustaining innovation follows the opposite path, winning existing customers with a better version of an existing offering, which is why incumbents fight back instead of retreating. The transistor radio, retail health clinics and Netflix all followed the disruptive pattern; Uber, by Christensen's own account, did not. Executives who apply the distinction correctly can tell which competitors merit a defensive response and which call for a separate low-end venture, turning a popular buzzword back into a working strategic tool.