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Creative Destruction and Product Life Cycle

The product life cycle includes four stages including the embryonic, growth, maturity, and decline stages; however, creative destruction can certainly speed up this cycle. Creative destruction is the process of widespread transformations brought on by increasing competition among companies in certain industries. It can occur in various fields and industries, but the effect is usually the same with new companies with advanced technology driving out older, more inefficient companies. If established companies are unsuccessful in investing in new technologies, then they will put themselves at a competitive disadvantage where they can be driven out of the industry by new start-ups.

An example of creative destruction related to products would be the Apple's iPod. A few years ago, the main way for people to individually listen to music would be CDs and CD players; however, in 2001, the iPod was released. With various product lines including different colors and sizes, the iPod is the best selling digital audio player in history (Kahney). CEO of Apple, Steve Jobs, realized the opportunity in the industry to create a more streamlined digital music player, and he assigned a team of engineers to develop such a product (Murray). Apple has utilized new technology through iPods perfectly by making music into digital downloadable media, which is much more convenient than CDs. iPods make listening to music more convenient in various other ways; users no longer have to carry around replacement batteries for their CD players or their portable collection of CDs. The iPod is also linked to other new technologies such as a mass of new accessories and the creation of the iTunes store, which helped the success of the new product (Kahney). iPods are an innovative new product;

nevertheless, their emergence has spurred the decline of CDs. The engineers at Apple continue to use new technology to create different, improved versions of the iPod such as the iPod touch. While Apple has experienced great growth and success from the creation of the iPod, other companies manufacturing music players have not been able to compete as well with the newer technology. The emergence of this new product has caused an enormous disruption in the business world.

The iPod demonstrates how creative destruction can affect the product business, but the process of this disruptive technology can also alter service business. For instance, the availability of online news has resulted in declining circulation of newspapers and waning broadcast news viewers (“State of the News Media 2007”). There are various sources to access online news, which makes it difficult to determine who exactly the clear winner is in the Internet news revolution. With this new technology, businesses such as CNN, Fox News, and other more traditional news sources are competing against their usual rivals as well as themselves. Increased globalization and competition is one of the main causes for news being readily available on the Internet. News broadcasts have developed over the decades from the radio to afternoon newspapers to nightly newscasts on TV; consequently the developing technology has made it even more convenient for more people to access news on the Internet on sites like CNN or MSN. Again, the convenience of the new technology is one of the reasons for the success of online news while other forms of news like newspapers and nightly broadcasts suffer because citizens can read mail any time on the web.

In these cases, creative destruction occurred because there was available technology that businesses such as Apple utilized to increase their competitive advantage. With the product, iPod, Apple noticed the opportunity to use developing technology and knowledge about digital

media to become the leaders in the portable music players. News on the internet is also a result of increased technology that improved on previous versions. In both situations, the appearance of the product or service has caused a massive disruption by hurting rival businesses and products. In some situations, creative destruction takes place within a business when a company creates an advanced product or service that hurts older products or services. For instance, Internet news on websites such as Fox and CNN are competing with their television broadcasts, but sometimes this is necessary as technology and innovation advances. Sometimes companies need to gain a competitive advantage so they must develop and invest in IT to avoid being left behind in the industry; however, it may hurt previous products or services in the long-run.

After investigating specific cases of creative destruction, it appears that the key to gaining the competitive advantage and creating more efficient products and services is technology. A further question that arises from the study of creative destruction is how are some companies more capable and inclined to utilize new technology. One of the answers to this question could be that certain companies might have a more effective structure and culture that fosters such creativity. Nevertheless, changes brought about by increasing competition and improved technology has always been a consequence of the industry and a part of the organizational life cycle.

Kahney, Leander. "Straight Dope on the iPod's Birth." *Wired News*. 2006-10-17. Retrieved on 2008-11-10.

Murray, Charles J. "2007 Engineer of the Year Finalist Michael Dhuey's Hardware Knowledge Helps Breathe Life Into iPod." *Design News*. Retrieved on 2008-11-10.

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