

Polaroid's reaction to the digital camera

In the article on Kodak I had written about the reaction of Kodak to the innovation of digital camera. There, you saw how an excellent company that led the camera industry for a hundred years couldn't tame a rogue innovation effectively.

While Kodak was ruling the camera industry, Polaroid invented an instant picture camera in the middle of previous century. Due to continuous innovation on instant photography, it maintained its complete monopoly of the segment. As a result, it generated enormous shareholder returns for several decades. Even when Kodak tried to enter the instant photography segment, Polaroid managed to push Kodak out of the segment through lawsuits.

When digital camera innovation emerged, Polaroid also invested in the technology and launched several digital imaging projects just the way Kodak did. Closer to the launch, Polaroid met with similar internal resistance. Managers questioned why they should go into a 30-40% gross margin business that would replace a 70% gross margin business. This resistance was similar to what happened within Kodak.

The result was delays in product launch, self destructive behavior by the firm, and deliberate atrophy of great digital capabilities. In the end, Polaroid met with a harsher fate than Kodak did – Polaroid went out of business through a bankruptcy filing. Its brand was acquired by another firm that still uses the brand name.

Two sets of managements, facing the same rogue innovation, independently reacted to this rogue innovation in exactly the same way. If you have been following my blog, it would be clear to you that this was not a coincidence but an expected reaction to rogue

innovation. This reaction highlights the major challenges of a rogue innovation.

A key point that emerged from camera industry was that the management wasn't sitting still and ignoring this rogue innovation. They thought they were creating great options that would save their business. However, due to several blinders, these managements made some big mistakes in handling a rogue innovation.

These reactions by well meaning companies such as Kodak and Polaroid make it imperative for management of any company facing a rogue innovation to stop and learn the lessons on taming rogue innovations.

More importantly, even firms that are not facing such innovations today will likely face them at some point in future. They need to be prepared for such scenarios in advance.