

How innovation can disrupt your market and competitors

Innovation drives difference in your organisation - a key ingredient for disruptive growth



Driving disruptive growth

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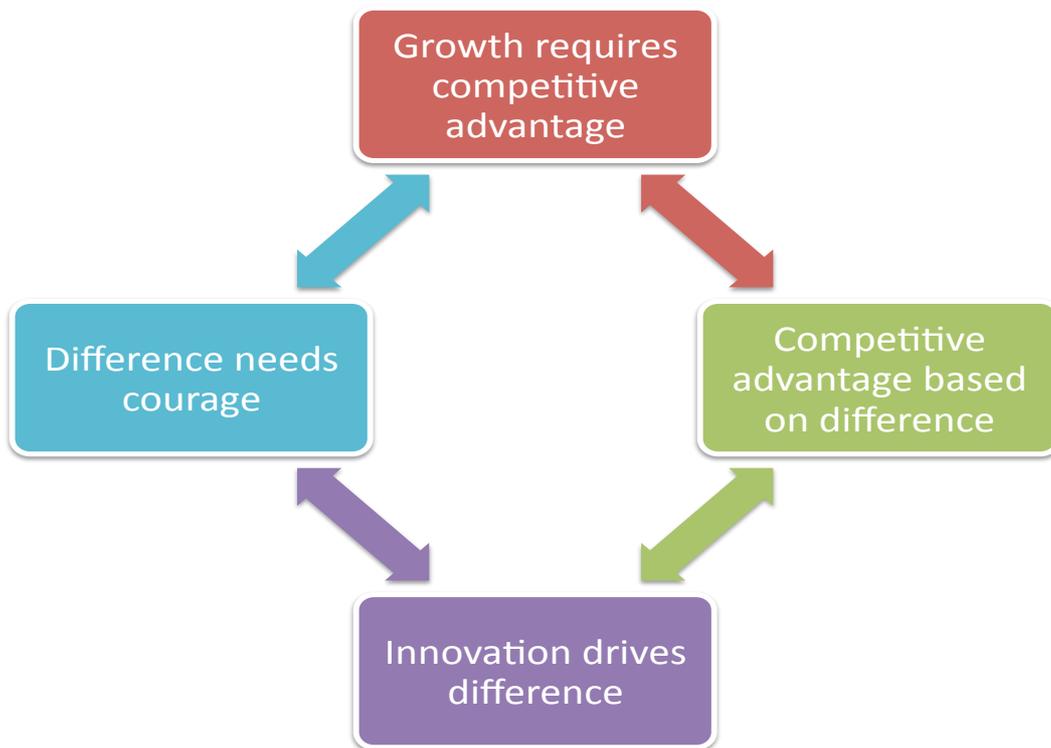
Growth is not what it used to be

Growth is not what it used to be. The tried and tested pathways of yesterday are no longer effective in today's turbulent and uncertain conditions. The advantage of economy of scale has been flattened by new technologies, social networks have eroded the advantage of better market knowledge, and superior products have been copied through the ravages of hyper competition.

As a consequence, the quest to achieve a form of competitive advantage to fuel growth seems relentless. As soon as you achieve some daylight between you and the competition, you are overtaken by a hungry competitor. Joseph Schumpeter's classical notion of "creative destruction" seems ever present. Not only do we have to run an effective business and operation, we have to be continually developing new business opportunities to meet customers' emerging needs, and shedding old businesses that no longer serve that purpose.

A simple proposition on growth

My proposition on growth has four key elements - each related to the other:



1. Most types of growth require a form of competitive advantage - ie some reason why customers will buy from you rather than a competitor or substitute product.
2. This competitive advantage is based on difference - ie your proposition to the market is different (and better) than that of a competitor or substitute
3. The difference is driven by innovation and creativity within the organisation
4. Leaders and organisations require courage to support and nurture that difference.

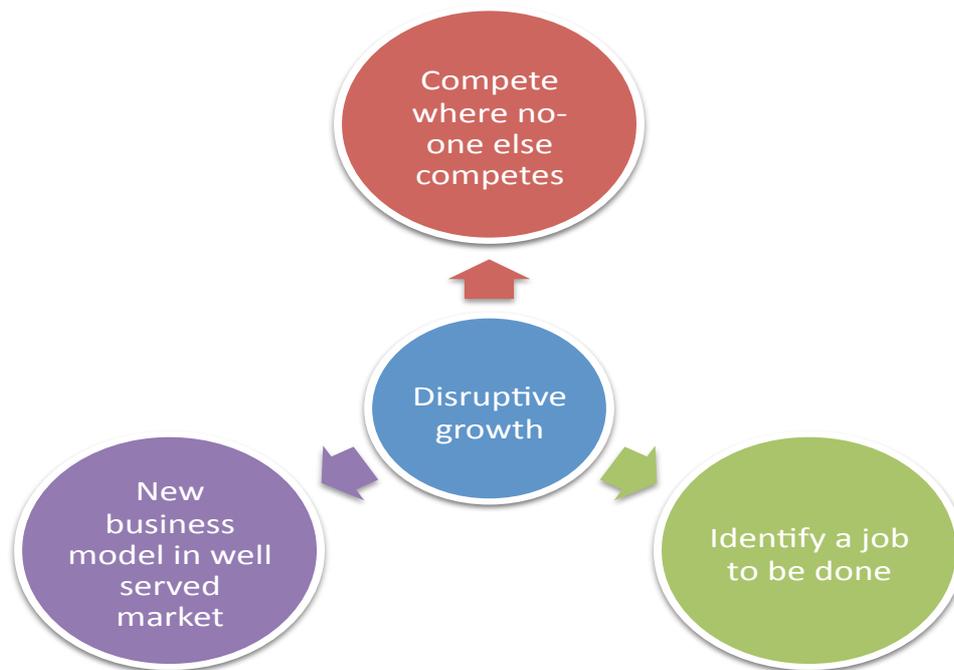
Competitive advantage is driven by difference

Difference is what attracts attention from customers. Difference is what causes customers to consider changing their purchase or usage behaviours. As human being, we are hardwired to notice and respond to difference. Difference is capable of disrupting normal or habitual patterns of behaviour.

And this is the attraction of disruptive growth. A disruptive approach to growth changes the rules of the game so that traditional market leaders lose their stranglehold. It changes the basis of the competition so that the attributes YOU bring to the market become the standard and the preferred offering. It promotes competitive advantage. And it centres mostly on difference.

So what are the drivers and pathways to this difference and disruptive growth?

Our work reveals three approaches that are likely to result in this:



Compete where no-one else competes

This is the well documented approach known as “blue-ocean strategy”, an approach that seeks out unserved market opportunities that can be served by a innovative combination of existing technologies. Examples include Cirque d’ Solei, Webvan, Iridium and the early entrants into budget airlines. These strategies focus on getting new customers who have not previously purchased or used offerings in these categories. These category creation strategies have the natural competitive advantage of no competition - at least in the beginning!

Identify a job to be done for the customer

Identifying a job to be done is the approach popularised by Clayton Christensen¹ and his colleagues. The focus is on issues or areas in which the customer has a problem or cannot get a complete solution. It requires a close study of the customers in situ to understand the context in which they operate and the nature of the solutions that may be required. This ethnographic research - studying customers as people / organisations rather than simply data in a standard research study - affords significant insights for introducing a different value proposition. And it disrupts the competition.

Examples include Toyota’s range of smaller passenger vehicles, Microsoft’s Office suite and the iPod.

New business models in well served markets

These disruptive approaches usually focus on providing a cheaper or more convenient means of serving the customer through a radical transformation of the business model. Technology has enabled many of these strategies, and they often centre around a simplification or streamlining of the supply chain.

¹ Clayton Christensen, *The Innovators’ Dilemma*, 2011

Technologies such as crowdsourcing enable the creation of real-time expert solutions (eg Wikipedia), while high levels of connectivity allow for outsourced manufacturing and warehousing to improve response times as well as efficiency. Well known examples include Dell Computers, Nike and Amazon.com. In each case, the resultant business model offers significant cost and time saving for the customer.

Difference is driven by innovation

The table below outlines innovation driving disruptive growth in a range of examples. In each case, the growth resulted from applying the innovation to create a point of difference for the organisation in question²:

Yesterday	Today	Tomorrow?
Ford Motor Company Department stores Digital Equipment Xerox Sony Discman	Toyota Southwest Airlines Microsoft Oracle iPod / iPad	Internet retail Air taxis Linux Salesforce.com Smartphones

But how do we unleash this type of innovation that powers this type of disruptive growth in our organisation? What are the seeds of innovation that are capable of producing these different perspectives and opportunities?

My earlier newsletter, [How to drive Innovation through your Organisation](#), addresses the development of an innovation architecture - the organisational context that leaders shape in order to promote innovation.

In this article, we look at the three core elements of innovation that are required to spawn disruptive growth.

Three seeds of innovation

Three types of thinking permeate those organisations who use innovation to drive disruptive growth. Dundon³ and others have called this the “three seeds of innovation” - creative thinking, strategic thinking and transformational thinking.

Creative thinking

The key elements of creative thinking include:

- harnessing creative ability across the whole organisation and tolerating failure as the “price” for learning and adaptation
- relentless curiosity about the market, the technology, and your own capabilities
- connecting between platforms, processes and partnerships.

Strategic thinking

² Clayton Christensen, op cit

³ Elaine Dundon, *The Seeds of Innovation*, 2002

Strategic thinking focuses on the relationship between the organisation, its environment and the journey into the future. The key elements include:

- a focus on the big picture using a systems perspective:
- recognising that the organisation faces alternative futures that can be influenced by purposeful decisions and behaviour

Transformational thinking

Transformational thinking addresses the way you design and build the organisation to spawn innovation. It involves your personal attitudes, the design and culture of the organisation, and the processes you put in place to facilitate innovation. The key elements include:

- bring people in from outside the leadership team to envisage change - monarchies rarely foment their own future
- define the market by understanding customers' needs in terms of the jobs they need doing or the problems they need solved (not the products they buy)
- engage your staff by articulating clear value propositions and give them elbow room rather than simply seeking their alignment to your objectives
- provide air-cover and nurturing the innovation processes.

How do you disrupt the market and your competitors?

Innovation is a strong driver of disruptive strategy and competitive advantage. But innovation has to be clearly directed at one or more of the growth pathways, ie "blue ocean" opportunities, jobs to be done for the customer, or simplified business models that offer customer convenience and low cost.

Leaders also need to ensure that innovation is occurring at the three levels of creative thinking, strategic thinking and transformational thinking in order to have a meaningful impact on the organisation.

The task for leaders is clear - create a purposeful approach to innovation if you want to deliver disruptive growth.

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