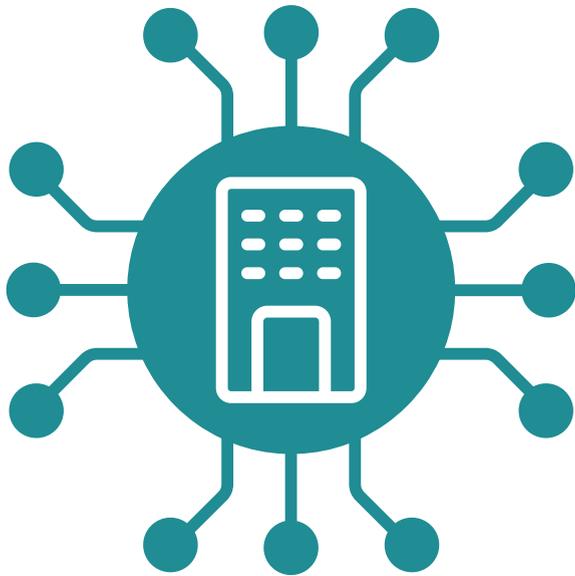


Rethinking Leadership in the Age of Disruption



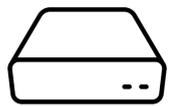


Disruptive Innovation

A process by which a product or service takes root, initially in simple applications for markets that are unserved or underserved by established players, and then relentlessly moves in the direction of established competitors, eventually displacing them. Disruption occurs when mainstream customers start adopting the new offering at scale.

Disruption takes place in two types of markets that incumbents overlook –

I) **Low-end footholds** II) **New market footholds**



Low-end footholds

Incumbents typically focus on creating and extracting value from their most profitable and demanding customers. As a result, their products or services overshoot the performance requirements of less-demanding customers, opening the door for disruptors to enter.

Example: Minicomputers had sophisticated analytical and productivity features that exceeded the requirements of the average firm at the time.



New market footholds

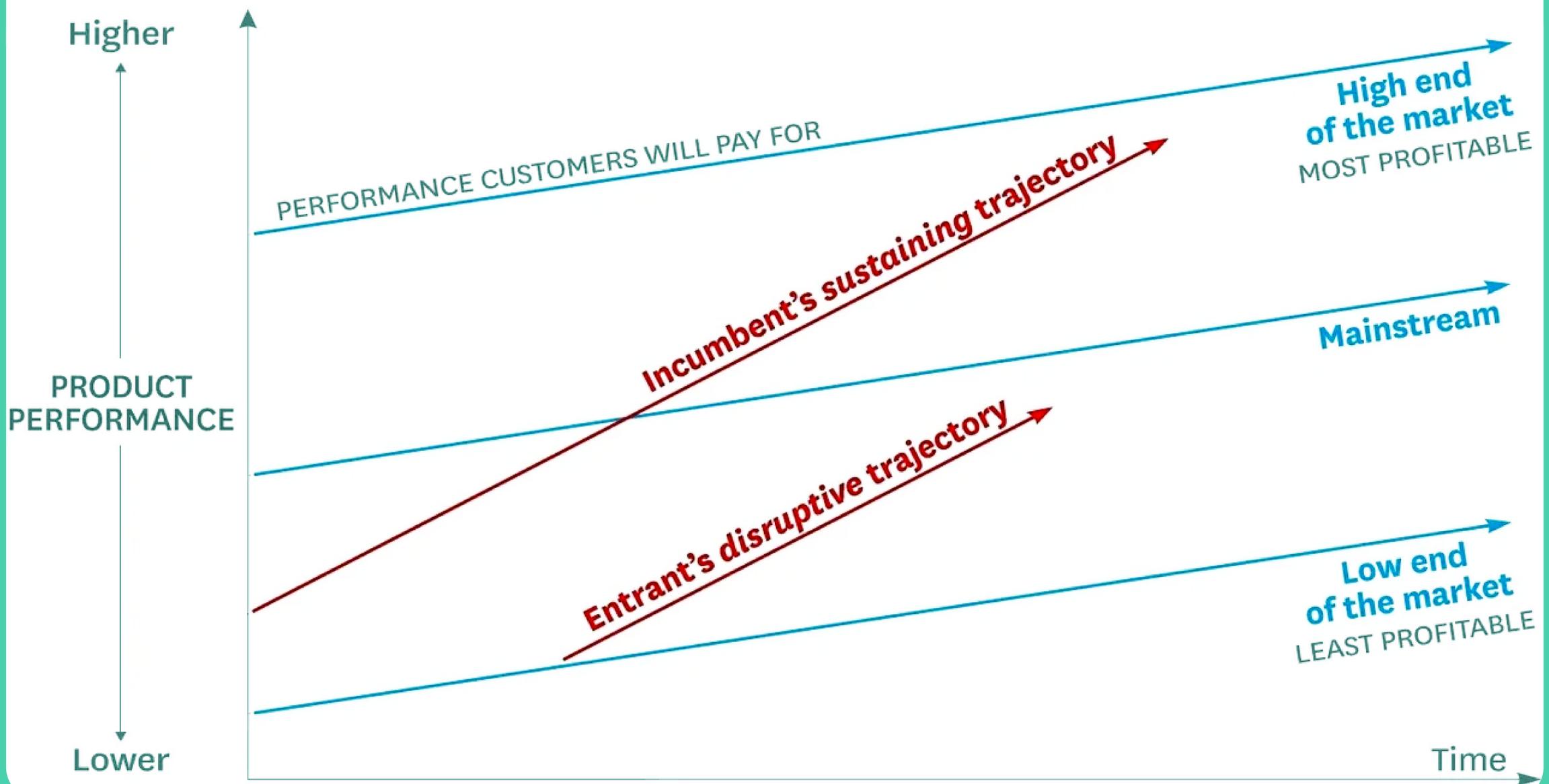
Disruptors create a market where none existed before. These disruptors find a way to create new markets and new customers, typically by lowering prices or designing for a different set of consumers or different needs of existing non-customers.

Example: The personal computer, in its early days, was priced and earned margins that were significantly lower than that of the minicomputer. Crucially, it brought computing into the homes of individuals, a segment that was unserved by the minicomputer.



The Disruptive Innovation Model

This diagram contrasts product performance trajectories (the red lines showing how products or services improve over time) with customer demand trajectories (the blue lines showing customers' willingness to pay for performance). As incumbent companies introduce higher-quality products or services (upper red line) to satisfy the high end of the market (where profitability is highest), they overshoot the needs of low-end customers and many mainstream customers. This leaves an opening for entrants to find footholds in the less-profitable segments that incumbents are neglecting. Entrants on a disruptive trajectory (lower red line) improve the performance of their offerings and move upmarket (where profitability is highest for them, too) and challenge the dominance of the incumbents.



Disruptive Innovation and Discontinuous Change

Disruptive innovations represent a discontinuous shift for organisations. Therefore, organisations' existing values, resources, processes, and capabilities do not help them respond to the innovation, but rather, constrain their response. Traditional drivers of innovation and entrepreneurship such as prior knowledge, active opportunity search, and acute sensitivity to customer needs only perpetuate a competency trap that constrain organisational response to disruptive innovations. The innovations are not about the ability to develop new technologies but rather, about giving up a way of being.

Disruptive Innovation Needs Disruptive Leadership

Today's leaders must acknowledge and embrace an undulating plane of existence and relentless change as they navigate through disruptive environments and create breakthroughs that leapfrog existing ways of doing business.

Steve Jobs: Disruptor Who Built the World's Most Valuable Company

Steve Jobs cofounded Apple in his parents' garage in 1976, was ousted from the company in 1985, returned to rescue it from near bankruptcy in 1997, and by the time he died in October 2011, had built it into the world's most valuable company.

His innovations disrupted several industries, including music, phones, personal computing, and retailing, among others.



5 personal leadership competencies essential for leading within a disruptive environment:



A Leapfrogging Mindset

A mindset focused on leapfrogging involves approaching the world with the intent of changing the game: creating or doing something radically new or different from the norm that produces a significant leap forward. These opportunities aren't limited to products and services, but also include reinventing business processes or revolutionising business functions.

iMac's slot couldn't burn CDs. Instead of upgrading it, Jobs created a razor-and-blade business model by using the iTunes-iPod combination, which would transform the music industry. Later, created the iPhone to cannibalise iPod.

“If we don't cannibalise ourselves, someone else will” ~ Jobs



Boundary Pushing



Navigating disruptive change involves finding creative solutions and opportunities within seemingly impossible challenges. When leaders push beyond the limits of their comfort zones, they improve their creative problem-solving and strategic thinking capabilities.

His (in)famous ability to push people to do the impossible was dubbed by colleagues as his “**Reality Distortion Field**” (RDF)

The RDF was said by Andy Hertzfeld to be Steve Jobs' ability to convince himself, and others around him, to believe almost anything with a mix of charm, charisma, bravado, hyperbole, marketing, appeasement and persistence. The term was used to distort his co-workers' sense of proportion and scales of difficulties, and to convince them that he could achieve the impossible. Jobs used the power of RDF to even appropriate others' ideas as his own.





Data-Intuition Integration

Intuition is shaped by existing experience and competences. However, disruption requires breaking away from the incumbency trap. Therefore, intuition must be combined, often, combated with data to identify potential disruptors and craft the way forward.

Jobs was resistant to the idea of Apple making a phone; he thought cell phones sucked and that smartphones may be relegated to the “pocket protector” crowd. The embryo was a prototype research project for a long time. However, he did not let his intuition be the sole guiding star. In the face of several debates and discussions with other employees in the organisation, and demo data, Jobs would relent and launch what would reveal itself as the most iconic product in the company’s stable.



Experimentation and Adaptive planning



Adaptive planning involves celebrating successes and viewing setbacks as learning opportunities instead of failures. The goal is to experiment, measure results, learn from them, and modify assumptions and strategies accordingly.

Apple had many failed products in its stable ranging from the Powermac G4 Cube to iTunes Ping to Pippin to MobileMe to Newton and several others. These illustrate that experiments and failures were normalised at Apple – they did not prevent action but rather, were viewed as necessary and affordable learning points to being a creative, inventive and entrepreneurial organisation.





Savouring Surprise

Leading disruptive innovation is a process fundamentally laden with surprise: unexpected technological developments, non-traditional competitors, shifting customer behaviours, economic and political shifts, and other unforeseen events. Leaders should embrace surprise as a core cultural value and tool for creating breakthroughs.

Jobs was a lifelong learner and remained intellectually curious even after he was fired from Apple. **“Sometimes life's going to hit you in the head with a brick. Don't lose faith. I'm convinced that the only thing that kept me going was that I loved what I did.” ~ Jobs**

References:

- [Disruptive Innovation: A study on the approach to opportunity recognition by ventures with disruptive characteristics](#) By Jenny Lee & Remie Bastiaansen
- [Leadership Competencies for Disruptive Innovation | AMA \(amanet.org\)](#)
- [The Real Leadership Lessons of Steve Jobs \(hbr.org\)](#)