



DARE TO DISRUPT YOUR STRATEGY – OR SOMEONE ELSE WILL!

Disrupt or be disrupted

Reflect on your response to the following scenarios.

1. A potential strategy option offers promise for extending your business. But, there is a sticking point in that there is a reasonable likelihood that it will in some way cannibalise your current offering.
2. A competitor launches a strategy similar to the one you were considering in Q1 above. It immediately has the impact anticipated of eroding your market share.
3. You estimate that a strategic option will deliver growth through innovation. Preliminary market assessment suggests a moderate market opportunity. But, the opportunity is adjacent to core competencies and will require some investment to realise.
4. One of your teams suggests an innovation. It will divert a modest amount of resources from core business. Time to market, which will test the idea, is only a month.

What did you decide in each case? Fear is powerful and leads to one of two basic responses – fight or flight. Is fear impacting your strategic decisions around disruption?

Jumping confidently into the ‘red ocean’

Supported by a solid body of research, INSEAD professors, W. Chan Kim and Renée Mauborgne, introduced the idea of ‘blue ocean’ and ‘red ocean’ strategies. Creating a ‘blue ocean’ of new value, by moving strategically into uncontested market space, is incredibly appealing to those responsible for delivering profit targets. That instead of more business in the ‘red ocean’, named for the blood spilled by cutthroat competition.

So, what would Kim and Mauborgne think about KMPG’s recent entry into the strategy market? Fortune notes it’s a move into “the already saturated space of strategy consulting” – a red ocean. But, perhaps market size offers newcomers enough opportunity to carve out a viable slice? Is that the primary reason for this strategic move?

Red ocean conditions are not especially attractive. But, from a ‘helicopter perspective’, a much greater threat is becoming obsolete! The ‘dead ocean’ is surely much worse than surviving in the red ocean. Fortune highlights that remaining relevant in a rapidly changing marketplace is a key strategic driver facing many businesses. Even less palatable choices become worth considering when the alternative is extinction. In the now famous words of Henry Kissinger, “the absence of alternatives clears the mind marvellously”.

Disrupted markets are business as usual!

Few, if any, businesses are immune to market disruption of their primary markets. Even recent market disruptors, enjoying rapid growth, have themselves quickly been reduced to obsolescence by even newer disruptions.

Perhaps most lethal are profound changes in a particular sector which end up having a broader than anticipated impact on other sectors, especially those neighbouring on the original. Often these changes or technologies aren’t even seen by those ultimately affected, let alone being understood, until it’s too late for any appropriate strategic response.

Even though photographic images were ‘its thing’ – with an incredible 90% market share globally at one point – Eastman Kodak was unable to respond appropriately to the disruption brought about by digital photography. Hubris, and the strategic myopia that resulted seem, with the benefit of hindsight, to be recurring themes in Kodak’s final few decades before bankruptcy.

Case studies dissecting Kodak’s history point to repeated instances of the business failing to respond to market disruptions and paying dearly each time with reduced market share. For example, losing its long-fought war against Fujifilm, its minnow-turned-

giant rival. Failing to embrace the digital image market in a timely way is of course another major strategic error. What makes Kodak’s demise into 2012 bankruptcy especially startling is the fact that it actually developed the world’s first digital camera in December 1975. And, as recently 2005, it ranked 1st in US digital camera sales race.

Taking the less-travelled strategy road

Part of Kodak’s problem with digital was its 10 year transition strategy. In complex markets a long cycle is perilous! Interestingly, dramatically altering the Spitfire’s attack capability, developing Russia’s first thermonuclear detonation and putting Armstrong on the moon were all accomplished in a shorter time.

Strategist Al Kent points out that those projects were unprecedented in their day. And yes, because they linked to warfare and national security, each had access to a virtually bottomless pit of resources. But unlimited resourcing wasn’t the common critical success factor that got the initiatives over the line within remarkable timeframes. Other similarly resourced projects have fallen short.

Rather than allowing weeks, months, even years for the different parts of the strategy to unfold, these enormous projects were chunked into much smaller sub-projects. This meant that oftentimes teams were working on different aspects of the project in parallel. More important, perhaps, was that teams were working with horizons of only days or weeks between reviews and revised goals. Since that’s how a lot of software businesses work today, the concept may not seem noteworthy. In the 1930’s, 1950’s and 1960’s though, it was a ground-breaking way of working, so much so that many businesses today still haven’t made that strategic shift!

Dare to disrupt your strategy—and do so iteratively

You may be thinking that although disruption is around, it’s not going to affect your business right now. At the very least you may prefer to avoid making any disruptive moves that might ‘cannibalise’ your current offering. As long as you hold that position, you’re denying yourself the opportunity of shaping your market. Your past moves may have shaped today’s market but that’s history, right? It’s your next moves that determine your future and the extent to which previous advantage is retained and extended or lost.

In a complex, competitive environment it’s a smart strategic move to innovate iteratively and organically. Make small moves, evaluate quickly and repeat. Each small step offers new perspectives. It’s your openness and ability to capitalise on previously unseen opportunities in these small steps that will deliver organic change, including those disruptive, game-changing breakthroughs.