How to timely discover market disruption

In 2016, The Rolling Stones informed the world that they would release a new album. Rather than launching more of their own rock & roll, they announced to honor blues songs that had been the sources of their own inspiration. The older you get, the fresher your memories from the days of your youth, right?

Reading the news about the Stones I had two thoughts:

.1. The Rolling Stones had been disruptors in their youth.

.2. What source of inspiration could I honor in an article?

This led me to think of the best management book I have ever read: The Innovator's Dilemma by Clayton Christensen (1997). Indeed, the key theme of the book provides the subliminal link to The Rolling Stones: it is about Disruptive Innovation.

Disruptive innovation happens in any industry and redefines an industry order
Put simply, the core idea of disruptive innovation is that when a new technology emerges in an established industry, the current market leader operating the old technology will not be the innovator driving this change. In a convincing number of cases, Christensen shows that a new company will drive change, leaving the old guard far behind. Examples are many. Think of:

- mechanical excavators (Caterpillar) that suddenly were made obsolete by hydraulic excavators (Hyundai).
- large copy machines (Xerox) that were surprised by office table copiers (Canon).
- film-based photography (Kodak) that was wiped out by digital (e.g. Olympus).
- fixed line telephones that were replaced by mobile network phones (initially e.g. Nokia).
- AirBnB versus classical hotel chains.
- Uber versus taxi companies.

The common themes were and are:

- old and established, large and leading companies have too much inertia to embrace new technologies. They lose the growth markets to new entrants rather than to direct competitors.
- new entrants are overlooked because they tend to innovate with products with (initially) inferior functional characteristics and at a much lower price. This triggers the market leader's complacent arrogance. They believe their customers will never buy such an inferior product…

Disruptive innovation as a challenge to market intelligence professionals
Christensen in his book shows empathy with the profession of strategists and analysts. As comforting principle of disruptive innovation, he phrases that markets that do not exist cannot be analyzed. Those attempting to do so – and many have – prove to have dismal track records. IBM once reportedly estimated the global market for PCs at less than a thousand units. Kodak held the key patents for digital photography but failed to properly value them and thus missed the picture. Xerox tinkered on to make their large copier monsters ever more efficient. In doing so they inevitably also made them bigger and increasingly inconvenient to use.

In contrast, Canon identified that most copy machine office users for most of the time didn't need efficiency as they only made one or two copies. What they really needed was the convenience of having a slow but *nearby* personal copier. Xerox's key product performance indicator was a multiple of hundreds of copies per minute. The first Canon only made two per minute. What Canon ensured was that "now everybody can copy". This resembles how low-fare simple service airline Air Asia ensured that "now everybody can fly". In doing so, it disrupted the cash flow of higher-fare full-service airlines like Malaysian and Thai.

How to timely identify future disruptors of your industry?
There are no easy answers here. If there would be easy answers, the track record of industry leaders in timely identifying the value of (low-end) disruptive technologies would be much better. I refrain from making bold how-to statements myself, but I do like to share two quotes that I believe well reflect the open mindset that is required to identify disruptors and timely awaken your company to the emerging change:

> *"Only the paranoid survive"* (Andy Grove, Former Intel CEO).
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> "*Tentativeness in action can mean being cut out of markets, perhaps not by traditional competitors but by companies never heard of 24 months ago".* (Jack Welch, CEO at General Electric, 2000).

My conclusion is that in strategy and competitive intelligence we need two lenses. We need to keep a vigilant eye on the devils we know. These are the companies that through strategic convergence look so much like us that we call them competitors. In addition, we need to spot the new small kids on the other block that may understand our customers' needs differently (often: better) serving them in non-traditional and – initially – funny ways. Just like The Rolling Stones who initially were also viewed as ridiculous and ugly, but became one of the world's single most selling and enduring pop bands ever…