Disruptive Business Models

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How disruptive is your business model? While much has been written about corporate vision, mission, process, leadership, strategy, branding and a variety of other business practices, it is the engineering of these practices to be disruptive that maximizes opportunities. Without a disruptive focus you are merely building your business model on a “me too” platform of mediocrity. Few things are more critical to your efforts in increasing your revenue growth and corporate sustainability than understanding the value of disruptive innovation. So, in today’s post I’ll examine the power of disruption as a key business driver...

Disruptive business models focus on creating, disintermediating, refining, reengineering or optimizing a product/service, role/function/practice, category, market, sector, or industry. The most successful companies incorporate disruptive thinking into all of their business and management practices to gain distinctive competitive value propositions. “Me Too” companies fight to eek out market share in an attempt to survive, while disruptive companies become category dominant brands insuring sustainability.
So why do so many established and often well managed companies struggle with disruptive innovation? Many times it is simply because companies have been doing the same things, in the same ways, and for the same reasons for so long, that they struggle with the concept of change. My engagements with CEOs often focus on helping them to embrace change through disruptive innovation. As a CEO, I would strongly suggest you conduct a gut check during your next executive meeting by counting the number of times you hear your CXOs say things like: “That will never work,” “We can’t do that,” “That’s not my problem,” “We’ve always done it that way.” or my personal favorite, “We need to focus on our core business.” Don’t allow your enterprise to adopt an attitude of complacency, because the simple truth is that complacency kills companies.

There are examples of companies throughout history and across every sector that have either failed to embrace disruptive business models, or have failed to maintain their once disruptive edge. Let’s just take a moment and look at a few notable examples of what happens to companies that become complacent... Why didn’t the railroads innovate? Why didn’t Folgers recognize the retail consumer demand for coffee and develop a Starbucks type business model? Why didn’t IBM see Dell coming? How did Microsoft not keep Google at bay? Why did American auto-makers lose their once dominant position to their European and Asian counterparts? How did the brick and mortar book stores let Amazon get the jump on them? I could go on-and-on with more examples, but the answer to these questions are quite simple... The established companies became focused on making incremental gains through process improvements and were satisfied with their business models and didn’t even see the innovators coming until it was too late. Their focus shifted from managing opportunities to managing risk, which in turn allowed them to manage themselves into brand decline...

At one end of the spectrum take a look at the companies receiving investment from venture capital and private equity firms, and on the other end of the spectrum observe virtually any category dominant brand and you’ll find companies with a disruptive focus putting the proverbial squeeze on the “me too” firms occupying space in the middle of the spectrum. With the continued rapid development of technology taking the concept of globalization and turning it into hard reality facing businesses of all sizes, it is time for executives and entrepreneurs to examine their current business models from a disruptive perspective. Ask yourself the following questions:

1. Why should anyone be led by you?
2. When was the last time your business embraced change and did something innovative?
3. When was the last time you rolled-out a new product?
4. Are your management and executive ranks void of youth?
5. Do people in your organization laugh at new ideas?
6. When was the last time you entered a new market?
7. Are any of your executives thought leaders?
8. When was the last time you sought out a strategic partner to exploit a market opportunity?
9. Does your organization focus more on process than success?
10. Are employees who point out problems looked down upon?
11. Do you settle for just managing your employees or do you inspire them to become innovators?
12. Has your business embraced social media?
13. When was the last time your executive team brought in some new blood by recruiting a rock star?
14. Does anyone on your executive team have a coach or mentor?
15. Has anyone on your executive team attended a conference on strategy, innovation or disruption in the last year?

If you’re an executive or entrepreneur and you can’t put forth solid answers to the majority of the questions referenced above, then your company is likely a market lagger as opposed to a market leader. If you continue to do the same things that you have always done in today’s current market environment you will see your market share erode, your brand go into decline, your talent and customers jump ship, and your potential never be realized.

Albert Einstein said it best when he noted “the definition of insanity is doing the same thing over and over again and expecting a different result each time.” Bottom line... don’t be the CEO who causes your management team to continually say “the boss won’t go for that one.” If you lead from the front by inspiring change, innovation, and disruption your business will surely prosper.

Is your business focused on disruptive innovation? If not, why not? I’d be interested in your comments...