

## Catherine Gorrell

These brief summaries highlight the key points and action steps in the feature articles in this issue of *Strategy & Leadership*.

**Masterclass:**  
**Can new disruption research suggest defenses against threats and opportunities for innovators?**  
*Stephen Denning*

Clayton Christensen's classic book, *The Innovator's Dilemma*, describes a form of competition that he called "disruptive innovation." Christensen's message was terrifying to business leaders: just managing well didn't make you safe. Indeed, it could be your downfall. Christensen suggested that the "innovator's solution" was to set up an independent unit that would be free of the preoccupations with existing customers and could focus on the threat with fresh eyes, as IBM did with its PC unit in the 1980s.

Others, such as Joshua Gans, suggest that the failure to respond to disruption is often less attributable to the incumbents' blindness to the threat rather than in the components themselves. Gans suggests that if a firm wants to ride out continual waves of disruption, it needs to maintain more agile organizational structures that preserve existing strengths while developing new capabilities.

Other thought leaders are also offering new ways of thinking about how disruption patterns differ in various industries. John Hagel, Deloitte's Center for the Edge, offers new studies of disruption with an "outcome-based approach to disruption." Deloitte's thesis is that disruption doesn't just happen at

random. History suggests that it is possible to identify specific patterns of disruption – disruptive strategies that, when combined with certain marketplace trends, can topple industry incumbents.

Whereas thought leaders like Christensen and Gans tend to focus on the specific approach needed to achieve the outcome, Deloitte's focus is on the outcome itself. In its practice, Deloitte has found that universal theories of disruption can lead to executives feeling overwhelmed. Executives are worried that disruption could come from anywhere and it could be anything. As a result, they don't know what to do. Deloitte's approach is to say, what are the characteristics of markets that would be vulnerable to a particular pattern? The work is aimed at helping executives focus on what makes them most vulnerable. The intent is to identify unexamined threats and possibly to provide innovators with inspiration for opportunities to create new ventures for established businesses.

After six months of research, Deloitte has identified nine patterns that meet its criteria (see Box "Outcome-based patterns of disruption"). Deloitte's next wave of research will be: what are the most effective responses to each of these patterns?

Catherine Gorrell is a veteran strategy consultant based in Portland, Oregon ([4mcgorrell@gmail.com](mailto:4mcgorrell@gmail.com)) and a contributing editor of *Strategy & Leadership*.

How successful organizations drive innovation  
*Kazuaki Ikeda and Anthony Marshall*

Research indicates that top innovative organizations financially outperform their competitors, and that the most successful innovators are able to create new types of business value in sustainable ways. For today's business leaders who recognize that growth through innovation is critical, the difficult part is implementing it. Innovation is both the art and science of anticipating the future.

It requires understanding what the full potential of new technologies will be, of knowing what customers need and want, even before they know it themselves. And it requires building organizational and ecosystem-wide capabilities to execute and deliver.

Successful organizations align innovation activities with business objectives, and they are not afraid to experiment. They see innovation as a critical business process, an enabler of competitive energy and as a cultural imperative.

This IBM research analysis, supported with survey data and case examples, identifies clear steps for all organizations to adopt the elements of innovation strategy that differentiate outperformers from less successful companies.

- Organizational structures and functions that support innovation:

- Align innovation with business goals;
- Structure open forms of innovation; and
- Create specialized teams.
- Organizational culture conducive to innovation:
  - Explicitly promote innovation as central to business activity;
  - Encourage innovative behaviors; and
  - Sustain innovation momentum.
- Organizational processes to source, fund and measure innovation:
  - Generate new ideas from a wide range of sources;
  - Approach innovation funding with same discipline as other business processes; and
  - Measure and hold innovation initiatives accountable to clear financial objectives.

By championing these innovation processes, and practicing a more disciplined, rigorous approach to innovation, Leaders can position their organizations to become innovators of the future.

The new marketing solutions that will drive strategy implementation  
*Kenneth Alan Grossberg*

Marketing is so basic to business, as stated by Peter Drucker, that we cannot consider it as a separate function, but instead see the whole business from the customer's point of view. He sagely explained: "because the purpose of business is to create a customer, the business enterprise has two—and only two—basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the

distinguishing, unique function of the business."

Viewing Drucker's premise in the context of three new marketing trends, all based upon digital technology, highlights the major impact on corporate marketing strategy. The three trends are:

- **Marketing automation**—where artificial intelligence is used to help win a customer and optimize the search for such potential prospects.

- **Social media**—which blends the personal and the businesslike and provides opportunities for engagement with the client on an almost real-time, personalized basis.
- **“Big Data”**—The speedy manipulation of huge quantities of digital information to increase the efficiency and effectiveness of marketing automation and of deriving value from social media..

### Automating marketing

Marketing automation and data analysis gives a fuller view of the prospect than just demographic or psychographic information by utilizing multiple data sets, gathered and activated across different technology based channels and touch points.

- **Strategic implication:** Knowing exactly what can be automated, when judgment and oversight is required, and where to develop and place new technical talent are problem areas to be identified and addressed, and firms that respond effectively will turn them into opportunities to achieve competitive advantage.

### Socializing marketing

Leading firms are linking their marketing automation to the social

network. Customers today seek engagement on their terms, which means marketers must both pull and push correctly.

- **Strategic implication:** Social marketing will increasingly involve co-creation of product and brand story with customers, experienced-based marketing and more sophisticated management of the interface between the social media platform and automated marketing.

### The impact of “Big Data” on the marketing function

Given that the technological capabilities of Big Data are revolutionizing what information can be accessed and weighed, its potential requires reassessment and restructuring of the marketing effort. This interest in moments is driven by a number of factors, including more sophisticated consumer behavior data and targeting opportunities. If brands can identify micro-moments, then programmatic buying and location-based targeting offer opportunities to serve online ads so that consumers see them at optimum moments.

### Masterclass

**The next wave of global disruption and the role of China’s entrepreneurs**  
*Brian Leavy*

Few need reminding that we live at a time of accelerating change in the global environment for business. Two recent books offer considerable value to leaders and strategists seeking to deepen their understanding of the major trends driving the current wave of global transformation.

### The era of “the great disruption”

*In No Ordinary Disruption: The Four Global Forces Breaking All the Trends*, McKinsey consultants

Richard Dobbs, James Manyika and Jonathan Woetzel highlight the confluence of four disruptive trends that, taken together, represent a major inflection point in the global competitive environment. Dealing with them will require a significant mindset shift on the part of company leaders and strategists.

### Four disruptive forces:

1. The shifting *locus* of economic activity and dynamism to

emerging markets like China and to cities within those markets;

2. The acceleration in the scope, scale and economic impact of technology;
3. The aging of populations, which has major implications for the rate of global economic growth sustainable over the longer term; and
4. Increasing global interconnectedness in trade and resource flows - Not only do the emerging economies already account for “40 percent of all goods flows” but “60 percent of those go to other emerging economies.”

Business leaders who adhere to five principles stand the best chance of reinventing themselves to keep up with “the new normal.” These include making

- The most of your digital capital.
- Looking to exploit the lower marginal costs of digital.
- Finding ways to monetize consumer surplus.
- Not waiting for the dust to settle before ‘placing your bets on a new technology.

- Thinking technology for your talent, organization and investments.

### The pivotal role of China's rising entrepreneurs in this disruptive era

In *China's Disruptors: How Alibaba, Xiaomi, Tencent and Other Companies are Changing the Rules of Business*, strategy expert, Edward Tse, highlights how the country's leading entrepreneurial firms are fast becoming the new primary engine of China's ongoing economic development, with implications for the future shape of global competition.

China is “in many ways a harbinger of how the world's business will evolve.” When it comes to the kind of dynamic capabilities that will be needed to compete in a world of “transient advantage,” modern China, with its “complicated and quickly changing demand pattern, hyper-competition, shifting industry boundaries, and discontinuities in the regulatory context, is the business management laboratory within which these skills are already being honed.”

### Admiring the peaceful political transition in Taiwan Jonathan Brookfield

The Taiwan miracle consists of two parts, an economic miracle and a political miracle. The economic aspect of Taiwan's miracle is best understood in terms of “growth with equity.” Not only has Taiwan's economy seen a sustained period of fast growth over multiple decades, the economy has also grown without seeing a substantial uptick in economic inequality, a feat many developed nations have failed to achieve.

On the political side, Taiwan has undergone a remarkably peaceful

transition over two decades from what was essentially an authoritarian, one-party dictatorship to a vibrant multiparty democracy, as proven by the results of the January 2016 election.

With Taiwan's political system having arrived, some may perhaps feel that there is nothing more to observe – “Yes, it's a democracy. Nothing to see here. Move along . . .” Nevertheless . . .

When the traditional ruling party of a country—like the Kuomintang in Taiwan— finds itself completely out of

power, yet still manages to conduct itself with grace and dignity, and in so doing, allows the country to prosper – that truly is a miracle!

Taiwan's economic miracle may be over, and as a result, Taiwan may have to grope forward into an

uncertain future just as most other developed economies do. But Taiwan's political miracle has entered a new phase. There is no guarantee that all will go smoothly, but still, we can hope. The miracle is over. Long live the miracle!

## Interview

### Dr Thep Himathongkam: transforming diabetes treatment in Thailand

Gayle Avery

"Wicked" problems often stymie transformational efforts in the private sector where organizational leaders have to confront and reform cultures and practices that prevent firms from adapting and thriving in evolving markets. What can leaders do?

#### The case background

Dr Thep Himathongkam found himself in a growing economy rapidly transforming Thailand from a country scarred by starvation to a land where many people ate a diet that put them at high-risk for diabetes. He wanted to introduce pioneering multidisciplinary health care for diabetes patients, but to do so effectively he had to adopt a Blue Ocean strategy. He would be pursuing a new market where consumer demand had to be created. To succeed he had to confront a set of "wicked" problems, each seemingly without a solution, given the limited resources available. A team approach was needed for treating diabetes but programs to train the necessary specialists didn't exist. Dr Himathongkam persisted and over time surmounted all these obstacles, and 30 years later has established a recognized, world-class center for diabetes treatment.

#### Key points

The needed changes stemmed both from technical problems – such as a lack of knowledge and equipment – and people's entrenched priorities, beliefs, habits and loyalties.

As Dr xHimathongkam explained, a critical success factor was being proactive in addressing the underlying social problems while sticking to evidence-based beliefs and purpose. The result was to create a unique brand for the hospital, with a competitive advantage, by addressing gaps in diabetes care in Thailand in various innovative ways that enhanced the hospital's reputation and gained it new sources of support. Key steps included addressing the multidisciplinary personnel shortage by training Thai specialists, getting universities on board and more recently securing funding from the World Diabetes Foundation (WDF) for the teaching of foot care. Concurrently, the hospital introduced team care, behavior modification and holistic care for all diabetes patients, through the principle of 3Cs–Class, Camp and Club. All this has enabled Theptarin Hospital to become a learning center.

**S&L:** If you were advising other leaders to try to introduce radical change programs, what advice would you give them?

**Dr Himathongkam:** First, visit successful projects to gain inspiration and learn about the actions and steps in successful implementation. Next, start with a model project, then after its initial success, share the outcomes, communicate and involve other stakeholders. Develop more advocates, and in the case of public health, pursue the final goal of making the program state or national policy.