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Second Edition

With a new section:
"The Disruptive Leader"

Luke Williams

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“Luke Williams is the master at unleashing big thoughts. His book, *Disrupt*, shows us how to do what sometimes seems impossible—conceiving and executing bold ideas with massive potential. At the Nike Foundation, we’ve put Luke’s principles to work and had tremendous results.”

—**Stuart Hogue**, Director, Systems at Scale, Nike Foundation

“A truly timely book, *Disrupt* has the power to change the world for many of us by uncovering the act of innovative disruption necessary to keep evolving in the years to come.”

—**Ric Peralta**, CEO, ATTIK

“The game has changed; to thrive and not just survive, companies need to shake up the status quo and be disruptive.”

—**Bill Wackermann**, author of *Flip the Script*

“For those companies second-guessing their future paths, ponder no longer. *Disrupt* provides that path, and it may be your only real strategy in today’s climate.”

—**Andy Stefanovich**, Chief Curator and Provocateur, Prophet

“At some time, someone somewhere is going to disrupt your entire industry. Shouldn’t it be you? In this easy-to-follow step-by-step guide, Luke Williams reveals a way of thinking that has the power to transform your business. Read this book before your competitors do.”

—**Cordell Ratzlaff**, Director of User-Centered Design, Cisco

“I’ve observed Luke’s process of disruptive thinking generate remarkably innovative solutions. I hope that many more companies will disrupt their existing innovation processes to benefit as well. They’ll be glad they did!”

—**Peter N. Golder**, Professor of Marketing, Tuck School of Business at Dartmouth, and co-author of *Will and Vision: How Latecomers Grow to Dominate Markets*

Disrupt

**Think the Unthinkable
to Spark Transformation
in Your Business**

Second Edition

Luke Williams

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For my parents

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Notes about Second Edition

In the four years since the first edition of *Disrupt* was published, I've had numerous discussions with managers, consultants, and educators across a diverse range of industries. And one request that I heard a lot was to go deeper into the leadership aspects of disruptive thinking. To address those suggestions, I've added a preface and a new section—Part III—that are designed to do exactly that.

Please keep in mind, though, as you read this section, that the ideas I'll be discussing are intended only to encourage you to develop your own ways of thinking about, managing, and leading innovation.

PREFACE TO THE SECOND EDITION:

Better to be the Disrupter than the Disrupted

“Don’t wait for a couple of guys in a garage to come up
with an idea that will upend your business.”

—Linda Tischler, *Fast Company*¹

Throughout the 1990s, Blockbuster mowed down its competitors in the video rental business by stocking a nearly unlimited number of copies of the latest Hollywood releases and using sophisticated inventory management systems that small rental stores couldn’t match. Then in 2000—in what has since gone down in the history of corporate America as one of the biggest missed opportunities of all time—three guys pitched Blockbuster a crazy DVD-by-mail idea that eliminated late fees. They wanted \$50 million, but Blockbuster literally laughed them out of the boardroom. “We’re the industry leader,” was the attitude, “Why would we need a niche business like yours. And do you know that we make half a billion dollars a year on late fees?”

Unfortunately, the very assets that Blockbuster thought were advantages turned out to be disadvantages and prevented them from seeing the future. Blockbuster’s investment in traditional stores made it slow to recognize the value in online rentals and streaming video. (It’s hard to change your thinking when you have 9,100

brick-and-mortar reasons not to.) Ten years later, Netflix was valued at \$13 billion, and Blockbuster filed for bankruptcy.

Today, almost every organization in almost every sector resembles Blockbuster in some way. The scale and scope of changes that large established businesses face happens at unheard of speed, and the vast majority of them could benefit from a complete reinvention of their business. Generally, change presents itself as a crisis—a sudden change of circumstances beyond the company's control.

A crisis reveals a gap between what an organization is doing in the present and what it actually needs to do in the future. All of a sudden, you realize that you need to think about your business very differently. You recognize that the way you've thought about the business might have been a good fit for past circumstances, but now that those circumstances have changed, the old way of thinking is now a liability. The crisis provides a wake-up call—a bolt of energy that inspires disruptive leadership and action.

In its 17-year history, Netflix has had to reinvent itself three times: It started as a pay-per-rental DVD business and disrupted itself to become a subscription rental service. Then, new competitive threats forced it to go into streaming. (The company's market value dropped by 25% during the 3 months it took to make the transition.) When content providers saw how popular streaming had become, they raised their prices, which made it increasingly hard for Netflix to get content as thousands of movies and licensing deals expired.²

So Netflix started creating its own original content, such as *House of Cards* and movies like the sequel to Ang Lee's martial-arts epic *Crouching Tiger, Hidden Dragon*. Now, Amazon.com and other streaming competitors, along with more traditional networks such as HBO

(which produces *Game of Thrones*) and AMC (*The Walking Dead*) are also creating original programming. If it's going to remain successful, Netflix will have to keep changing its thinking because no one actually knows how, or with what strategies, new or existing players will compete in the future.

In some cases, threats to a company's business model come less from direct competitors than from high-impact innovation in a seemingly unrelated market. Consider the transformative power of the fastest-selling devices in history: More than two billion people around the world use Internet-enabled smartphones. And they are, as the late Steve Jobs, then Apple's chief executive, prophetically proclaimed about the iPhone, changing everything.

For example, although we wouldn't truly consider smartphones and the telecommunications industry a direct competitor of the NYC Taxi and Limousine Commission, they have a huge impact on that market. Uber, now a household name operating in 55 countries around the world, uses a smartphone app and sophisticated data analysis to connect available drivers to nearby fares within minutes. You can use its apps to find a driver near you and ask to be picked up—it's essentially a remote control for taxis. Uber's business model could not have existed in a pre-iPhone world. (Mostly because of the iPhone, Apple is now worth more than any other company in the world.) But in fewer than five years, Uber has raised more than one-quarter of a billion dollars in venture-capital funding.

In my experience, working with everything from startups to Fortune 100 companies, it's difficult to recognize the need for disruptive thinking in non-crisis situations. The company concentrates on what it knows how to do best—and it views ideas for trying something to

be distractions from the central task of running the core business.

The Italian eyewear conglomerate Luxottica had dominated the \$65-billion-per-year industry since 1961, until four college friends started asking why they had to pay more for their glasses than for their smartphones? By designing and manufacturing their own frames and selling directly to consumers online, Neil Blumenthal, Andrew Hunt, David Gilboa, and Jeffrey Raider discovered they could charge as little as \$95 per frame, a fraction of what a similar nice pair of glasses would cost at a Luxottica-supplied optical shop. Four years later, their company Warby Parker distributed its millionth pair of glasses, and Luxottica is operating with a renewed sense of energy, acquiring Glasses.com (which mimics Warby Parker's website) and launching a Warby-esque rebranding of the retail chain Pearle Vision.³

Disruptive change is essential, and sometimes the only way to save what was once the “right model at the time” is to destroy (or at least rethink) it. Nothing is too sacred to be reconsidered. No one way of doing things is beyond improvement. (How long did we put our luggage on top of a cart with wheels before it took someone to think of putting wheels directly under our suitcase?)

Yes, new ideas involve effort, complication, and risk—there's always something easier, simpler, and more certain to pay off than innovation. Yet every organization has squandered ideas—not through ignorance of their value, but because it was easier to avoid committing to a new way of operating. In the same sense, every organization underestimates the potential for finding new opportunities—we constantly fail to appreciate the many undiscovered opportunities that are out there.

The greater the uncertainty, the more ideas a business needs. And the more ideas you have, the surer you must be of the questions you're asking—or not asking.

Organizations must constantly ask themselves disruptive questions and then decide whether to reorganize around their answers.

Disrupt is about doing the work of crisis without the crisis.⁴

INTRODUCTION

Disruptive Thinking:

The Revolution Is in Full Swing

“We do not merely want to be the best of the best.
We want to be the only ones who do what we do.”

—Jerry Garcia, The Grateful Dead¹

The old mantra, “differentiate or die,” is no longer relevant. In fact, I’d argue that, today, there’s actually too much differentiation going on. By steadfastly clinging to the “differentiate or die” mantra, businesses large and small have made it extremely difficult for their customers (and prospective customers) to tell the difference between deep, meaningful change and shallow, superficial novelty. As a result, with an excess of similar offerings in the marketplace all claiming to be “different” (which, theoretically, was supposed to add value to a company’s products or services), it’s nearly impossible for businesses to get their products noticed and command a premium for their efforts.

Now, don’t get me wrong; I’m not against differentiation as a business strategy. In fact, as creative director of a global innovation firm, frog design, I spent a great deal of my time helping clients differentiate their offerings in the marketplace. Unfortunately, people are usually most comfortable with what’s most familiar—and the product, service, or business model

that they've experienced most often is the one that seems intuitively right. They become trapped by their existing perceptions, unable to recognize things they haven't seen before. As a result, I've watched too many clients spend huge amounts of money and resources trying to gain an edge on the competition by making *incremental* changes to their existing products and services.

This pattern of behavior is particularly common in successful companies operating in mature industries. They embrace incremental change because it supports their current business model. Reluctant to spend a bunch of money modifying their existing operations so they can make new things that will compete with their old things, these companies become complacent and stop innovating. Big mistake. Because when a business makes only incremental changes, they find themselves on a path that gets narrower and narrower. Eventually, they reach the end of the path, and by then, their customers have forsaken them for a new offering that nobody saw coming. In cases where companies do take disruptive risks, it's often because they're backed into a corner and there's no other choice.

Here's the bottom line: Companies that try to differentiate themselves by focusing on incremental innovation instead of game-changing, *disruptive* innovation will differentiate themselves right out of business. Companies simply cannot afford to wait until they get backed into a corner. They need to be consistently making bold moves, even at the very peak of their success. So, instead of "differentiate or die," the real mantra should be "differentiate all you want, but figure out a way to be the only one who does what you do, or die." Okay, that's a little cumbersome, but you get the point.

Thinking the Unthinkable

Figuring out a way to be the only one who does what you do is a provocative goal, but it's absolutely unobtainable unless you make some significant changes to the way you think about competition and the business you're in. I'm not talking about little tweaks here and there. I'm talking about a way of thinking that surprises the market again and again with exciting, unexpected solutions. A way of thinking that produces an unconventional strategy that leaves competitors scrambling to catch up. A way of thinking that turns consumer expectations upside down and takes an industry into its next generation. It's what I call *disruptive thinking*.

In the literature of innovation theory, the phrase “disruptive” is associated, in part, with the notion of “disruptive technology,” which Clayton Christensen outlined in his book *The Innovator's Dilemma*. Christensen observes that disruptive technologies often enter at the bottom of the market, where established companies ignore them. They then grow in influence to the point where they surpass the old systems.² But, in our process—the one you'll be following in this book—disruptive thinking is not so much about how to spot and react to disruptive changes in technology and the marketplace; it's about how to *be* the disruptive change.

Being the disruptive change in an industry is exactly the sort of thing that new start-ups and small-scale enterprises are best at. But, as you'll soon see, it's a way of thinking that can be learned and applied just as effectively by large organizations and industry incumbents—in fact, by anyone who's willing to challenge the status quo wherever they are.

There is no better time to challenge the status quo than right now. Winning organizations in the next decade will be those that produce and implement ideas that are not easily conceived of or replicated by a competitor. Companies will create new categories and redefine old ones. Customers will fundamentally change what they want from the products and services they experience. The Internet and the infrastructure of massive connection have already reinvented many industries, but we've barely scratched the surface. We're still surrounded by countless products, services, and business models that are built on the logic of the past. (Just think of the current challenges for magazines, newspapers, and books.) Many of the decisions that define these businesses were made years ago, in a different age, and a different context.

Globalization, accessibility to an overwhelming array of products and information, and technological innovation are already rapidly changing the marketplace in significant ways. As a result, consumers are changing the way they buy, and businesses need to change the way they compete. We need to rethink the habits that have made us successful in the past, and challenge the conventional wisdom and industry models that have defined our world. In the words of marketing expert Seth Godin, "Industries are being built every day (and old ones are fading). The revolution is in full swing, and an entire generation is eager to change everything because of it. Hint: It won't look like the last one with a few bells and whistles added."³

To thrive in this new era, organizations and institutions, executives and entrepreneurs need to learn to think and act disruptively. To put it a little differently: Think what no one else is thinking, and do what no one else is doing.

Think what no one else is
thinking, and do what no
one else is doing.

Disruptive by Design

So, how do you go about making disruptive thinking part of your skill set? Well, it's not about hiring the right people or spending more money on training or traditional approaches to innovation. The good news is that schools around the world are already teaching disruptive thinking to their students. The bad news is that, instead of being taught in MBA programs, this new thinking style is taught in design schools.

Designers are taught to take conventions and turn them on their head—to make the ordinary unexpected. They create an emotional connection between a product or service and the prospective consumer. As best-selling author and critical thinker Dan Pink puts it, “Mastery of design, empathy, play, and other seemingly ‘soft’ aptitudes is now the main way for individuals and firms to stand out in a crowded marketplace.”⁴ Now, I'm not saying that MBAs don't have a place in the world or that designers have the answers to all life's questions (or at least the ones about business). Not at all. The problem is that design and business logic exist

in parallel universes and rarely come in contact with one another. As a result, both disciplines suffer. Business schools teach how to analyze but not how to create compelling emotional connections, while design schools teach how to come up with those connections but not how to ensure they're commercially viable.

Either one by itself is nice, but to survive—and thrive—in today's business climate, you've got to have both. We urgently need to close the discipline gap and strip away the elite complexity (and yes, there's plenty of snobbism and elitism on both sides). We need to find a way to fuse the analytical rigor that has been the centerpiece of business competition for the last decade with the fluid, intuitive process of design. This is precisely the sort of juxtaposition disruptive thinking thrives on.

Savvy executives, managers, entrepreneurs, and venture capitalists are beginning to recognize that the game of transformation relies on this fusion. But, despite the fact that they recognize that design effort is important, most execs don't pay enough attention to it. For many, design effort is out of sight, out of mind, which is why people rarely use disruptive thinking skills outside the world of design.

Like it or not—and whether you can see it or not—design is everywhere. Every product, service, or business model, no matter how large or small, is designed. You might think of design as a skeleton. The bones that support our bodies aren't visible, but they're there. And just as our bones give shape to our bodies, design shapes our experience with every product, service, or business model we interact with.

The Goal of This Book

Paul Romer, an influential economist at NYU's Stern School of Business, defines *ideas* as “the recipes we use to rearrange things to create more value and wealth.”⁵ And the goal for any organization—no matter what the size—should be to generate a steady stream of new recipes—ideas that alter the trajectory of a business and revive stagnant markets or completely reinvent the competitive dynamics of an industry. And that's exactly what I teach you how to do in this book. Think of *Disrupt* as the business equivalent of a cookbook that provides you with the framework and motivation you need to discover and execute bold new recipes.

Over the course of this book's seven chapters, you'll learn to think about what usually gets ignored, pay attention to what's not obvious, and create disruptive solutions in a matter of days or weeks, not months or years. And by the time you're done, you'll find yourself asking, “Why hadn't we ever thought about our business and industry this way before?”

Five Stages of Disruptive Thinking

Disruptive thinking develops through a five-stage process:

1. Craft a disruptive hypothesis.
2. Define a disruptive market opportunity.
3. Generate several disruptive ideas.
4. Shape them into a single, disruptive solution.
5. Make a disruptive pitch that will persuade internal or external stakeholders to invest or adopt what you've created.

The book is organized into three parts. By the end of Part I, you'll have come up with three disruptive ideas—ideas that have potential but still need to be tested and refined. If you want to take those ideas to the next level, Part II will get you there by walking you through the process of gaining consumer feedback, transforming your ideas into solutions, and then pitching the results. Part III delves into the management of innovation and the disruptive leader's role in helping people (including themselves) out of their conceptual habits and biases. It explains the need to foster disruptive thinking and ensure that all employees know when and how to do it.

This is not a book you can pick up and start on page 50, read a few pages, and put down. Again, it's like a cookbook. For the best results, you need to follow the steps in order, just the way they're laid out. Here's a bit more detail on what each chapter covers.

Part I: The Hypotheses, the Opportunity, and the Ideas

Chapter 1—Crafting a Disruptive Hypothesis: Be Wrong at the Start to Be Right at the End

It all starts with a wild question. In simple terms, a hypothesis is the fill-in-the-blank part of the question, "I wonder what would happen if we ____ ." A lot of people would come up with minor tweaks, like a color change or a new feature or moving production overseas. But, that's not what we're looking for. If you don't shake things up with a few ideas from way, way out in left field, your brain will ensure that you'll process any new information and ideas using what you already know as a filter. And the result will be exactly the kind of thinking that maintains the status quo. The goal at

this stage is to kick off the process with a disruptive hypothesis, a true game changer.

Chapter 2—Discovering a Disruptive Opportunity: Explore the Least Obvious

The next step is to take the hypothesis you just crafted and hone it to something usable. You'll start by looking at the real-world context your hypothesis will exist in. Who lives there now? What do they need? What motivates them? Defining a disruptive opportunity is designed to be quick and informal, intuitive and qualitative, and above all, accessible. It shouldn't take you more than two to three days, and, in many cases, you'll be able to do it in as little as two or three hours. The point I'm emphasizing is that *anyone* can (and should) feel empowered to go out and start creating new business ventures, products, and services without drowning in the sea of complexity that makes up typical market research projects.

Chapter 3—Generating a Disruptive Idea: Unexpected Ideas Have Fewer Competitors

Opportunities by themselves don't lead to profits or lasting change. So, the big question in this chapter is: How do you transform an opportunity into an idea? Well, the first thing to realize is that any old ideas won't do. We're looking for disruptive ideas—ideas that have the power to influence and to shape behavior. Ideas that stir the imagination and inspire a sense of possibility. Unfortunately, in my experience, most ideas never get anywhere near this level. We'll spend the last part of this chapter learning how to move past the stumbling blocks and generate the kind of disruptive ideas that transform a compelling opportunity into a commercial offering.

Part II: The Solution, and the Pitch

Chapter 4—Shaping a Disruptive Solution: Novelty for Novelty’s Sake Is a Resource Killer

Disruptive ideas are great, but they’re only half the story. Unless you can make those ideas *feasible*, they can’t deliver value. How do you know whether an idea is workable? Well, you don’t, unless you actually see how it plays with your target market. Without testing your ideas with prospective end users and consumers, you’re in danger of coming up with really terrific ideas that will completely flop when they hit store shelves. In this chapter, we change our focus from *conceiving* ideas to *transforming* them into practical solutions. Remember: There’s a simple but critical difference between an idea and a solution: A solution is always feasible. If it’s not, it’s not really a solution.

Chapter 5—Making a Disruptive Pitch: Under Prepare the Obvious, Over Prepare the Unusual

At this point, you’ve got a bit of a sales job on your hands. No, I’m not talking about selling to customers. Long before you get to that point, you’ll need to sell your disruptive solution to the people within your organization or the external stakeholders who control the purse strings. So, be prepared: Most people don’t embrace a disruptive solution because it’s disruptive; they embrace it because they believe it will deliver value. And you’re going to need a lot more than a basic presentation to earn that confidence. That’s why the final output of this process is a 9-minute pitch that takes your audience from their initial, pre-presentation, “Why should I care about this?” through the mid-presentation, “I’m curious to see where this is going.” attitude, to a post-presentation, “Hey, this is great! How do we implement it?”

Part III: The Disruptive Leader

Chapter 6—The Disruptive Leader’s Motivation: A Different Attitude

What does it take to be a disruptive leader? Do you need to be a brilliant agitator like Steve Jobs? An obscenity-spewing trash-talker like T-Mobile’s John Legere? A driven workaholic with a passion to change the world like Tesla’s Elon Musk? Sure, CEOs like that get a lot of press, but there’s more to success than being loud and charismatic. Truly disruptive leaders are like Master Chefs on a cooking show, always looking for ways to take existing ingredients—the same ones everyone else has access to—and combine them in unique ways. Those new recipes are a type of investment capital: the more you have, the better. Of course, not all of them will succeed. But disruptive thinking and leadership is less about the success of any one idea and more about putting your business in a position where you have more new ideas to spend than your competition does. Most importantly, being a disruptive leader is about creating a culture where everyone values new recipes. Because if you want to build a disruptive organization, you first have to build more disruptive leaders.

Chapter 7—The Disruptive Leader’s Mindset: A Different Awareness

It’s hard to imagine alternatives when you depend on a set of assumptions and habits, when that set of assumptions and habits serves you well, and when everyone around you has the same assumptions and habits. As the old saying goes, “It’s difficult to get someone to understand something, when their salary depends upon them not understanding it.” As a result of all this, an organization’s range of actions is generally limited to what is comfortable and conventional. Disruptive

leaders are able to steer clear of those traps. They constantly challenge their assumptions and habits and those of the people around them, and they expect to be challenged in return. Disruptive leaders have the power to see possibilities beyond what others have defined as limits, and the power to rethink what their organization is and what it might become. Most of all, they have the power to bring out those same powers in the people they lead.

How This Process Developed

While at frog design, I often noticed a huge disconnect between our approach to innovation and our clients' approach. Ours was fast, fluid, and intuitive. Theirs tended to be slow, rigid, and analytical.

What especially stood out was how paralyzing “innovation strategy” processes can be. A lot of the problem comes from requiring consensus on one step before moving on to the next one. The well-meaning intention is to ensure that the idea is aligned with strategy, allow the team to create buy-in, and give senior executives a variety of options.⁶ Most of the time, this innovation process starts off pretty well, but inevitably, companies lose their momentum and their motivation. This is especially true in highly successful organizations. They get so bogged down in the complex details that they forget all about (or never had in the first place) “creative destruction,” which is the need to fundamentally question their biggest achievements. As a result, instead of stimulating innovation, they end up stifling it.

So, you can imagine what happened when our clients decided they wanted to be part of the creative process. Listening to our proposals and making decisions wasn't enough. Oh, no. They wanted to

contribute ideas and get involved in creating strategy and direction. Clearly, we needed to come up with a new approach for working together. If our clients were going to be involved in key parts of the process, the frog design teams would have to add a bit more structure to their free-flowing, intuitive approach. At the same time, the clients would have to get comfortable operating with a little *less* structure.

In the end, I developed a process that we called *frogTHINK*—a fast, agile approach to collaborative innovation that would maintain the right level of tension between fluid intuition and logical rigor. frog design has clients in virtually every business sector and of every size, from start-ups to Fortune 100. With such a diverse group, we had to make the process accessible to everyone, regardless of educational and professional background. We also had to make it easy for clients to hit the ground running, to understand, participate in, and contribute to. No esoteric jargon or complex charts and equations. Also, no brainstorming with water pistols, beanbags, and other supposedly creativity-stimulating methods.

In 2005, I had the opportunity to take this process further by developing a new, graduate-level course at the Stern School of Business at NYU. The goal was to teach B-school students how to solve problems and create opportunities using a disruptive thinking approach. The object wasn't to turn them into designers. (It was unlikely that any of them would continue on to be professional designers after business school anyway.) Instead, we tried to transcend design technique and focus on a business-design mentality.

The course is intended for people who have no previous background or training in—or even exposure to—design. We focus on helping students develop ways of thinking that are very different from those

they would learn in a typical MBA environment. And, by the end of the course, they've learned the simple-yet-thorough process of disruptive thinking—the exact process we're going to spend the rest of this book discussing.

What This Book Is Not

This is *not* just another book on brainstorming. You've probably read plenty of them on idea generation, and you may even have participated in some brainstorming sessions, sitting around coming up with random ideas, hoping one sticks. Unfortunately, most idea-generation methods focus on quantity and not quality. They typically start out with the goal of solving a specific business problem, and then come up with as many ideas as they can that fit within the constraints of that problem. Worse yet, traditional brainstorming completely overlooks the issue of what to *do* with those ideas after they've been generated.

A step-by-step process
for imagining a powerful
market disruption
and transforming it
into reality.

My focus is to teach you tools that will force you out of your old thinking patterns. More importantly, we start off with the ideas and then bring in the business constraints later to shape them into something that has a high likelihood of succeeding in the market.

In short: This book is a step-by-step process for imagining a powerful market disruption and transforming it into reality—a disruptive approach for a disruptive age.

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