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Leadership Competencies for Disruptive Innovation

By Soren Kaplan

Disruptive innovation is no longer the occasional exception, it's the rule. The entertainment, computing, wireless phone, book publishing, photography, manufacturing, and health-care industries have all recently experienced dramatic change due to new and converging technologies, business models, distribution channels, government regulations, and market expectations. Consider the causalities from four very different industries—Blackberry, Blockbuster, Borders, and Kodak. These companies all missed opportunities to leapfrog to the next big thing.

As leaders, if we're not proactively creating disruption, we'll eventually need to respond to it. Many executives, however, aren't formally prepared for the fortitude required to proactively drive disruptive innovation or weather prolonged uncertainty. In addition, most organizations are set-up to promote and reward the virtues of predictability and control the exact opposites of what characterizes periods of disruption.

Leaders today must acknowledge and embrace a life of continuous ambiguity and uncertainty as they navigate through disruptive change and create breakthroughs that leapfrog existing ways of doing business. Five personal leadership competencies are essential for leading within a disruptive environment:

Competency #1: A Leapfrogging Mindset

Leading disruptive innovation requires a new way of thinking. A mindset focused on leapfrogging involves approaching the world with the intent of changing the game: creating or doing something radically new or different that produces a significant

leap forward. And these opportunities aren't limited to products and services, but also include reinventing business processes or revolutionizing business functions.

Thomas Sager, the General Legal Counsel for DuPont, for example, trail blazed a radically new model for his corporate legal function that saved his company millions while adding significant strategic value back to the business. Segar consolidated DuPont's external legal providers from 350 firms down to 37, training them to work together to share knowledge and create efficiencies. Any legal claims against the company are now viewed as strategic inputs to help identify opportunities for modifying technologies and changing business practices. Most important, Sager reinvented the corporate legal function business model. Rather than pay outside firms fees based on billable hours, which motivated firms to fight every claim and draw out cases, firms are now incented to resolve cases as quickly and effectively as possible, something revolutionary for the legal field.

Competency #2: Boundary Pushing

Navigating disruptive change involves finding creative solutions and opportunities within seemingly impossible challenges. When we push beyond the limits of our comfort zones, we increase our creative problem solving and strategic thinking capabilities.

Leaders who live abroad, work across different functions, have a multidisciplinary education, surround themselves with diverse team members with diverse perspectives, and proactively learn new things from looking outside of their function and industry become best prepared for disruptive times.

Competency #3: Data-Intuition Integration

Most leaders rely on hard data to make critical decisions. In times of disruption, however, robust data that tells a clear story rarely exists. Leaders must use whatever information they can obtain and then use their gut for the rest.

Researchers from the University of Amsterdam found that when people were presented with an overwhelming amount of data, those who ignored the details actually made superior decisions. These same individuals were better able to identify patterns and themes in the complex data.

Some companies proactively promote this unconventional balancing act. For example, Agilent Technologies emphasizes this critical competency in its leadership development programs.

Competency #4: Adaptive Planning

Leading disruptive innovation and change requires that we move forward despite great uncertainty. Adaptive planning involves celebrating successes and viewing set-backs as learning opportunities versus failures. The goal is to take action, see results, learn from them, and modify assumptions and approaches accordingly.

With adaptive planning, even when results are negative, anything that helps validate or refine assumptions can essentially be viewed as progress. This alternative approach to how most companies deploy strategies and plans can help leaders and their teams sustain motivation and momentum during the toughest of times. Adaptive planning helps organizations move away from the view that if a pre-defined goal isn't achieved then it represents a catastrophic failure. Rather, the approach involves creating successive miniplans anchored within an overall strategic intent. Success metrics can be as much about learning and validating assumptions as they can be about more concrete deliverables like developing new technologies or capturing market share.

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Competency #5: Savoring Surprise

Leading disruptive innovation is a process fundamentally laden with surprise: unexpected technological developments, competitive moves, customer comments, economic and political shifts, and other unforeseen events. While most leaders assume surprises should always be avoided, a few companies have learned to embrace surprise as a core cultural value and tool for creating breakthroughs.

One such company is Intuit, creator of Quicken, which quickly became the leader in helping consumers balance their checkbooks. But when Intuit's leadership learned that small businesses were using their software for accounting, they dismissed and ignored this unexpected data. Over a year later, Intuit leadership finally took a closer look at the anomaly. They learned that small businesses were using Quicken because existing accounting programs were far too complex. With this surprising insight, Intuit developed QuickBooks for small business. Within three months, the company captured 70% market share and today QuickBooks represents one of its most profitable businesses. Intuit's leadership now explicitly espouses the value of savoring both good and bad surprises, and points to numerous examples of breakthroughs that resulted from unexpected events and customer feedback.

Learning to appreciate surprise may be one of the more challenging leadership competencies to develop since the skill flies in the face of conventional wisdom. In fact, every management book on Amazon with the word "surprise" in its title focuses on how to prevent and avoid the phenomena. But this is exactly what makes it so powerful. The reality is that surprises are a natural part of business, and life. Leaders and companies who learn to uncover and tap into the power of surprise will have an advantage over those who remain entrenched in the outdated mindset of control and predictability.

Disruptive innovation and change is the "new normal" for business and society. Leaders who want to make a significant difference while creating strategic differentiation for themselves and their organizations need to embrace new competencies to compete. In many ways, "the soft stuff is the hard stuff" when it comes to the process of leapfrogging existing assumptions, mindsets, markets and the competition. And these skills must be built over time, through a journey that involves experimentation, set-backs and successes. Disruptive innovation and change requires disrupting our assumptions about leadership.



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