CHAPTER

1

Disruption and the Innovation Deficit

The Innovation Deficit

Newspapers and business books have long focused on the digital revolution: on the start-up phenomenon, on the rise of nanotechnology and biotechnology, on scientific breakthroughs such as in health care. Innovation, it seems, is everywhere. But the few truly innovative corporations that have come into existence hide the facts. People lump them together with the rest of the industry, over which they may cast a rosy halo. The truth is that many companies, especially those born before the digital revolution, are proving unable to innovate fast enough.

The problem is in the implementation. Research and development guidelines often seem too conventional. They limit rather than open up possibilities. Many companies are hostages to management systems, schemes, and procedures set in stone. You only need to look at the insufficiency of their organic growth.

A.G. Lafley, Procter & Gamble's former chief executive officer, has made a list of all the innovations launched by his company in the last decades, carefully distinguishing between incremental and disruptive innovation.[1] The latter are a minority but they generate more profit than incremental innovations do. Incremental innovations remain essential because they feed a continuous flow of new revenue streams, but they are insufficient, very insufficient. They do not ensure that a company will remain successful over the long term. Only disruptive innovation allows companies to stand the test of time.

Even Procter & Gamble, which ranks among the world's most innovative corporations historically, has only launched two truly disruptive innovations in recent years: Swiffer and Febreze. What about other companies? A 2011 report from Booz & Company[2] underlines that the two sectors most heavily invested in research, automobiles and health care, can boast almost no disruptive innovations at all (other than the electric car). The pharmaceutical industry is struggling to innovate. Fast-moving consumer goods companies are suffering from a lack of breakthrough products. As to high-tech industries, the story is obviously different. Their latest inventions constantly make the headlines. They are transforming the business world forever. Yet, they only account for 20 percent of industrial and commercial activity. They alone cannot compensate for the insufficient pace of innovation of business as a whole.

Every year, thousands of scientific articles report on some of the millions of patents registered around the world. But the proportion of these inventions that actually come to market is very low, no more than 5 percent according to official sources. And we seem incapable of increasing the rate of success. So a solution would be not to try and improve the percentage, but to increase the size of the sample: the cent in percent. In other words, we need a much wider base of ideas.

To do this, we will have to find new sources of inspiration. New doors need to be boldly opened. Different experiments and experiences need cross-fertilizing. A diversity of talents must be brought together. Intuition must be encouraged to speak. Bountiful encounters must lead to unexpected ways of thinking. This is the very essence of Disruption.

As Frans Johansson puts it in *The Medici Effect*, "Quantity of ideas leads to quality of ideas."[3]

Disruption Methodology

The term *disruption* has become hackneyed. Twenty years ago, it was the term we found to define a methodology. Then the business world appropriated it and gradually changed its meaning. Today, people use the word *disruption* to describe start-ups offering lower product prices through new technology. And it is true that digital newcomers can often radically upset the market, constituting a serious threat to existing players.

However, I cannot agree with this definition of Disruption. It is too restrictive. I prefer our original sense. Disruption is not just a way of defining how start-ups clear the decks in any given sector. Disruption concerns all types of businesses, in the broader definition that we shall use in this book, at any rate. To us, Disruption® is a specific, three-step method: Convention, Vision, and Disruption.

Invariably, we start out by challenging existing conventions, ways of thinking and doing, based on preconceived ideas and deep-rooted habits. From there, we try to come up with a vision, a new way for a brand or company to define its future. And only then do we have Disruption, "the idea that will accelerate our journey from challenging convention on the one hand to renewed vision on the other."

From the earliest days, it became apparent that Disruption, in this sense, would prove relevant to advertising, marketing, business models, and even new product development. Think of it as a series of concentric circles: at the center sits the product; then comes the business model; and at the outer edges stand marketing and advertising. Electric cars are a disruptive innovation. iTunes is a disruptive business model, as are Amazon, Ikea, and Airbnb. I consider Southwest Airlines and The Body Shop to be marketing disruptions. And Old Spice and Red Bull are advertising disruptions. In other words, it is possible to be a "disrupter" at any level. The closer Disruption comes to the center of the circle, which is to say the business model or even the product, the stronger it will prove.