



This exercise teaches you that whenever you hear the word *or*, it's an invitation to innovate.

Start here. Topic: Discontinuities

## HARNESSING DISCONTINUITIES

Radical innovators are not forecasters or scenario planners. They are not people who are trying to predict the future or imagine how the world might be ten years from now. Instead, they tend to be people who are aware—on some deep level—of things that are already fundamentally changing, and who understand the revolutionary portent in those things, in ways that others do not. They intuitively grasp, as renowned futurist John Naisbitt puts it, that “the future is embedded in the present.”<sup>4</sup> ←

Revolutionary strategies often harness some deep, systemic change force. For example, it might be digitization (Google News), or globalization (the international expansion of MTV over the past several decades), or the rise of extreme sports (the invention of a new super-high-flying pogo stick). The goal is to surf one of these “tides of history”—to exploit some trend that is gathering force and speed around the world.

So, what exactly is a “discontinuity”? It is not a single trend, invention, or technology. Rather, it's a *convergence* or pattern of trends; a confluence of several, apparently unrelated developments in, for example, technology, demographics, lifestyle, regulation, geopolitics, and so forth, that together create the potential for dramatic industry change. It's these deep discontinuities—these clusters of trends, as opposed to individual trends—that have the power to substantially change the competitive rules, or

From "Innovation to the Core", p.

55-61

Equivalent to "การ

สร้างนวัตกรรมให้เป็น

Core

Competence", p.

95-105

Actually, the "form" of a discontinuity is too different from a discontinuity

### Discontinuity

A pattern of trends that has the potential to dramatically change competitive rules or industry structures, opening up substantial new opportunities

the structure of an industry. They are often the launching pad for radical innovation.

We usually phrase discontinuities as “from-to” statements to reflect the seismic shift they point to in consumer needs, or lifestyles, or industry climates, and so forth.

### *Can You Find the Bigger Story?*

Let’s take an example. Here are four seemingly unrelated trends that likely are common to every developed country today:

- People are working longer hours than they used to.
- The number of single-parent families is steadily increasing.
- People are getting married later in life.
- People are spending more and more time online.

### Ask Yourself

- Where is the intersection between these trends? When you put them together, what is the bigger story that emerges?

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The bigger story here is increasing *social isolation*. People used to meet somebody at college and get married quite young. Now they tend to delay getting married, choosing instead to pursue a career that puts them under a lot of pressure to work longer and longer hours. That means they have less time for hanging out and dating.

What we end up with is a lot of single people, some of whom are also parents, who are incredibly busy and who are coming home from work exhausted. They have very little time for themselves, and when they get an hour or two to spare, they increasingly tend to spend it online—sitting by themselves in front of a computer screen. In other words, we

have more and more young adults with less and less “social time” and fewer and fewer opportunities to explore relationships. That’s what Robert Putnam’s book *Bowling Alone: The Collapse and Revival of American Community* is all about.<sup>5</sup>

So if social isolation is the theme that emerges from the interaction of these trends, what sorts of opportunities does that create? One of the huge opportunities is Web-based social networking.

Take the popular community site Craigslist. Founder Craig Newmark created a marketplace that brings together people who have mutual interests. Let’s say you’ve decided that this weekend you want to go cycling in the Santa Cruz Mountains or wine tasting in Napa Valley. You could go online to [www.craigslist.com](http://www.craigslist.com) and ask whether anybody out there wants to join you. That’s basically how it started in the 1990s, and since then, Craigslist has grown into a hugely successful service in the United States, offering everything from local events to classified advertising, forums for jobs and housing, and the AdultFriendFinder, an online dating service. All these things are designed to match people’s interests and activities so they can find ways to connect with one another.

It’s also no surprise that online dating itself is now one of the most profitable businesses on the Web. Look at the millions of unique visitors per month to Web sites like Match.com, FriendFinder.com, eHarmony.com, Lavalife.com, AmericanSingles.com, Plentyoffish.com, Matchmaker.com, and Yahoo! Personals. Clearly, social isolation has opened up a very big opportunity for “love online.” As a discontinuity, this might be phrased as “from love at first sight to love at first byte.” Business built on Web-enabled social networking is what future thinker Peter Schwartz would describe as “an inevitable surprise.”<sup>6</sup> You could see it coming—if you had the lens.

This example shows the importance of understanding and harnessing discontinuities—the intersection points between various individual trends—that have the power to create dramatic change or disruption. Looking at the world through this lens can open up significant opportunities for industry revolution.

### *Getting Started*

Ready to start using the second lens of innovation—harnessing discontinuities? If so, forget about grand corporate visions of the future. Instead, focus on identifying changes in the external environment that competitors have either underestimated or ignored, and then try to understand how the momentum of these changes can be influenced or amplified to shape the future.

Your goal is to recognize patterns of change (at the intersections of technological change, sociodemographic change, political change, economic change, lifestyle change, etc.) that could drastically alter the current rules of competition and potentially create new opportunities—if you act on them before others do.

### *Identifying Discontinuities*

Here are some general guidelines you may want to use when searching for discontinuities.

The first thing to remember is that everyone has access to the same information about what is changing in the world. How, then, can you construct proprietary insights out of publicly available data? The way you do that is by:

1. Looking where your competitors are not
2. Amplifying weak signals to anticipate their second- and third-order consequences
3. Trying to understand trends in their historical context
4. Looking for interactions between trends

Let us consider each of these approaches.

#### **1. Looking where your competitors are not**

Ask yourself, Where is the bleeding edge? Where is the fringe? Where could we go to get some firsthand experience of technological changes, lifestyle changes, sociodemographic changes, and so forth? Where could

we go to get those inspiring bursts of insight that trigger innovative new ideas?

You won't get these kinds of insights from business magazines, or market research, or trend forecasters, or management consultants, or from a colleague's warmed-over report. These are all channels through which reality gets filtered to us, which makes it very difficult for us to see the deeper meaning. You also won't develop these kinds of insights by staring out the window and trying to think creatively. The only way to get them is by personally experiencing new and inspiring things in out-of-the-ordinary places. That's when the learning goes from intellectual to visceral, and people start to say, "Okay, this is real. This is going to happen. We need to get in front of this thing." It's very hard to ignore something once you have experienced it for yourself.

For example, mobile phone giant Nokia began to take note, back in the early 1990s, of the emergence of a global youth culture. Instead of simply reading about it in trend reports, the company decided to send a group of engineers out into the field to observe it "firsthand" in some of the world's trendiest youth hot spots: Venice Beach in California, King's Road in London, and the club scene in Tokyo's Roppongi district. As a result, those engineers came back to Finland with new insights that helped Nokia reinvent the whole concept of the cell phone, rapidly pushing the company to the cutting edge of the industry.

Another example is Best Buy, the largest consumer electronics retailer in the United States. To learn more about the future, the company decided to look in some unusual places where they had never looked before. One of those places was South Korea, where on every corner you find what is called a *Baang*—somewhere people go to play video games socially, which is a very popular pastime in Korea. Visiting those *Baangs* helped to inspire Best Buy with innovative new strategies aimed at tech-savvy youngsters and early adopters—people who like to keep up with the bleeding edge of gaming and electronics. Strategies like these are vital if Best Buy wants to stay ahead of rival retailers like Circuit City or even Wal-Mart and Target.

In the case of both Nokia and Best Buy, it was not about discovering things that were invisible to competitors—all of these insights were "hidden in plain sight," so to speak.<sup>7</sup> The issue was that they were looking in

places where they would never even *meet* their competitors—places where change was happening first.

## 2. Amplifying weak signals

Time and time again, what starts out as some seemingly insignificant development will eventually turn into a major discontinuity—one that threatens old business models and opens up opportunities for exciting new ones. However, instead of amplifying these “weak signals” and asking where they might lead, companies usually discount them. Their reasoning tends to be, “Right now, it’s just this little, tiny thing, so why should we bother about it?”

What you need to do is take these incipient trends—these things that are changing in perhaps a very minor way at first—and exaggerate them, projecting them out into the future. Play an imaginary game of “scale-up,” asking yourself what would happen if a particular trend grew and became more important. What kind of difference would it make? What are the second- or third-order consequences of this trend? Who would be affected by these consequences?

The point is that, to some extent, a lot of developments are inevitable. They are clearly going to come. But the time to start figuring out where they are leading is at their nascent stage, not when they are already upon you and beginning to undermine your business.

## 3. Understanding the context

When you spot a trend, or even just the beginnings of a trend, how can you tell whether it’s important or unimportant? How do you know whether it’s just a ripple in the ocean or the first sign of an oncoming tsunami? One thing you can do is step back, look at that trend in its historical context, and ask yourself, Is this just a random event, or is it a tide of history? In other words, is this trend something superficial and isolated, or is it actually part of a development that has far greater magnitude and much broader implications?

## 4. Finding the interactions

One of the problems we all face today is information overload. There are simply too many things happening—too many different pieces of information—and we can’t see the connections between them.

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Once you have built a comprehensive library of trends from many different categories—facts and data, if you will—your key analytical task is to imagine how these trends might interact and reinforce each other. What you need to figure out is whether certain trends fit together in some way.

To do this, look for the intersections—the interactions *between* all the isolated facts and trends—and see whether you can spot the emerging patterns, as well as the opportunities those patterns may create. Ask yourself, When this group of trends or that group of trends is put together, what is the bigger story that emerges? Does this set of trends point toward an inevitability?

As an example, look at the following set of trends:

- Experienced older workers looking to reskill and renew
- Interest in alternative medicines, naturalistic or holistic
- Search for spirituality, balance, or quality of life
- Shift to information or knowledge economy
- Cheaper or better communication
- Ability and desire to look younger or stay young due to medical advances
- Fewer births (people are having fewer children in developed countries)
- Aging but increasingly active population
- Declining savings rates

Ask yourself, What is the overarching theme here? One possible theme is that future senior citizens will redefine the senior citizen lifestyle. We could express this theme in a succinct and catchy statement like “from aging with grace to aging with energy.”



## LEVERAGING COMPETENCIES AND ASSETS

Radical innovators tend to view their companies not as business units or organization charts, but as portfolios of competencies and strategic