

Disrupt, destroy your own business

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Disruption is a term that you hear bandied about in management conferences and board rooms, not without reason. New competitors are bursting on the scene—think Paytm or Alibaba—creating value in a short time. New market spaces have been imagined—think Uber or Airbnb.

The incumbents are finding it increasingly difficult to build moats around themselves. Therefore, sometimes, the best and even the only way to keep your business intact is to destroy it with a superior solution, before someone else does.

Founding Fuel, in association with Boom Live, conducted a live Hangout recently on how to lead through disruptive change. The panellists included Sanjay Gupta, chief operating officer at Star India; Rajesh Srivastava, a professor, strategist and author; Kishore Biyani, chief executive officer of Future Group; and professor Rishikesh T. Krishnan, director at IIM Indore. The discussion was moderated by Indrajit Gupta, co-founder of Founding Fuel. Edited excerpts:

Sanjay, walk us through how you see disruption impacting the business that you are in, media.

Gupta: Media is going through some really exciting time. It is growing at 12-13% CAGR (compound annual growth rate) and if I look at ourselves at Star, we are growing at double that rate. We are reaching out to 70 crore people every day. They spend 40 minutes with Star. Life couldn't be better. But equally if you ask me are you getting disrupted? Like how!

Two-three big changes are happening in media. One, consumer behaviour. This business, whether it is films or television, has been built on the back of somebody will come to you at a point in time. You go and see a movie in a theatre on a Friday evening. You see the 9 o'clock news. So, the consumers walk to a screen. Whereas consumers today want the screen to come to them, they want the content to come to them.

The second big change is that till now content creation was limited to a few sets of people who had the resources—technology, cameras, crew and edit suites. But that's changing dramatically. Democratization of content creation is a really big change; everybody today can create content and publish it.

The third big change, which is really enabling the two to connect together, is the change in screens. We have grown up delivering content on television at Star India and there are 170 million television screens today. But look at the number of mobile screens in the country today—there are 900 million mobile screens and they are with them (consumers) all the time—their first screen is the mobile screen.

So the amount of disruption is quite dramatic. If you are not prepared for it, the businesses can change very dramatically and quickly.

Mr. Biyani, in retail what's the reality?

Biyani: We have always been philosophical about change and we have always prepared our organization to deal with changes at regular intervals. We believe in the concept of creation, preservation and disruption.

Currently we are dealing with one interesting change—technology-aided commerce. It has occupied so much mindscape. I don't know how much change is real, but that's an interesting change we have to explain internally in the organization as well as externally.

There is also change in the way consumers are looking at things, the way you communicate with them, the way consumption, SKUs (stock-keeping units) are emerging and changing, and whether the retailer will deal with the change on a day-to-day basis, as whatever was sold 10 years ago is not going to sell again today.

I think the new context is technological change and the dynamics of Indian consumers, which is a very young set of consumers who are digitally savvy, who research the products more, are more aware of the prices. I believe that change is not what is there right now, we are dealing with the change that is going to come tomorrow. So how do you forecast the change? How do you look at the new consumption which will happen? We have to deal with that scenario.

Sometimes it's difficult to predict where the next source of competition will emerge from. Would the hotel industry have ever been able to predict the phenomena of Airbnb or Oyo Rooms? How do business leaders deal with that?

Krishnan: I agree that it's going to be a significant challenge going forward.

First of all, wherever something can be digitized and put on the Internet, that is going to happen. So you should be looking at your entire value chain and looking for any opportunities for digitization.

Secondly, you are going to have a lot of decentralization or disaggregation, for both the hotel or the taxi industry.

Third, you are moving away from a system that was very tightly licensed and regulated to one which has much user affiliations. Conventionally you would have thought of hotels as very regulated spaces, you would have thought of taxis as people who got licences from local regulatory authorities, but now you are looking at very decentralized, almost individual suppliers.

How do you develop the capacity of being able to see what's the fork at the end of the road?

Srivastava: Industrial leaders need to bring about a change in their mindset. Most corporates are competitor-led. They look at competition and try and bring out a better version of what they are doing. That's incremental innovation. The way to get out of this trap is to start looking at our own customers. Understand their pain points and remove them.

Take Netflix. It disrupted Blockbuster when it came to delivering DVDs by post. But (founder and CEO) Reed Hastings [realized] that there is a shift happening in customer (behaviour). Customers want to consume content at the time that they desire and on the device they desire. So he took his most successful business and converted it from DVD delivery to online delivery of content.

You have to become your own strongest competitor. Destroy your own business before others do, but re-emerge in a more formidable avatar.

Gupta: Yes I think (that is) a very valid point. I think the more successful the company, the bigger the challenges. Because then you can get complacent. One of the challenges is the mindset. Are you playing to defend your market share, or are you there to grow your business? To me that's a one big distinction between people who have disrupted vs people who have withered away.

The second difference is knowing what's the core of your business. Star is called a broadcaster, a TV company, but internally we don't believe we are a TV company. We are in the business of storytelling. To define the business sharply around what you stand for is the way to find different ways of disrupting your own business models. Today when we are doing Hotstar (for online streaming of TV shows), we are saying Hotstar is one more screen. We know consumers are changing, we know technology is changing, we know this is going to be a dramatic force. We should be participating in it and growing our business. Because we are there to engage consumers with the powerful stories that we have—be it drama, movies or sports. And that solves for what do we do next? We don't worry that digital is going to take away or mobile is going to take away my business. It's about saying it will actually grow my business.

Mr. Biyani, you have done many different things across two decades, disrupting existing categories. Give us a sense of how you thought about some of the disruptive formats.

Biyani: We have always believed in scenario planning. We have always been proponents of design thinking. The way we created our organization design way back—we created lines of business such as food, fashion and home, and we will deliver this through multiple formats—that's how we were able to deliver multiple formats. We run the format for one of the lowest strata of society called KB's Fairprice, which are non-air-conditioned stores, to Foodhall, which deals with the crème de la crème of the country.

We have been able to sell food and fashion through multiple formats, and now we have been able to sell home through multiple formats. This design has allowed us to do much more than what we could have done traditionally through one single format. Now when technology-related format will come in, we can easily sell our products. So we never looked at ourselves as a retailer; we looked at ourselves as a consumer goods company, creating products and selling them through various formats.

What we are currently doing, which we believe can be a game changer, is—in fashion nearly 92% of our business is coming out of our products and brands. We are doing a similar exercise in the foods business. We believe in the next five years 70% of the food which we will sell in our stores will be of our own brand or brands in which we have significant investment. That I believe can bring about a significant change.

Thirdly, this design allows us to destroy whatever we want and create anything new.

Rishi, in the organizations that you've studied, how many of them have been able to embrace the power of design thinking or design organizations for radical innovation to happen on a consistent basis?

Krishnan: I look at these two things a bit separately. Clearly design thinking involves an empathetic understanding of users, and the willingness to immerse yourselves in the lives and daily routines of people who could possibly use your products. There is also a democratization of design. It's no longer just the province of people who have been to design schools. Perhaps there's no better example than a company like Infosys, which is perhaps one of the last places one would expect to see design thinking pervading the whole

organization; it's slowly getting transformed to incorporate that kind of an approach.

As far as organizational design is concerned, the ability to disrupt, to make your organization adaptive enough as Mr. Biyani was suggesting, is not easy at all. Most organizations have a tendency towards inertia and particularly if they are successful in a particular business, it's very difficult for them to venture into any arena which would disrupt their existing business model.

So you have to structure your organization in such a way that some parts of the organization are not subject to the decisions of the mainstream business, so they can embrace disruptive ideas.

If you locate innovation outside the mothership, what are the challenges that come up?

Gupta: My belief is that it has to be within and disruption has to be done for each business every day and the dimensions on which you will disrupt will keep changing. So it can't be a separate location.

The issue that you are really grappling with more is the capabilities that you may need in the new environment. The new capabilities are very different and do you have them, and are you able to play with the new rules of the game? Those two are the biggest challenges I personally see while dealing with disruption.

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