

Good Vibrations (1 / 7)

Inspiration through Disruption

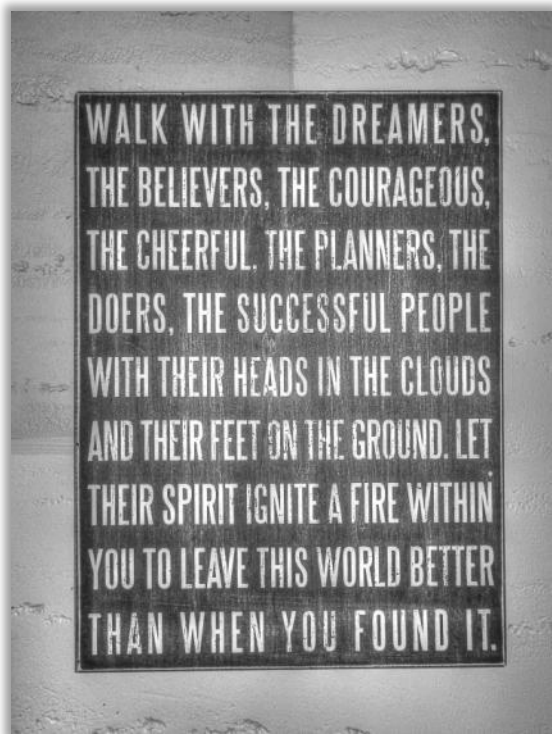
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Disruption

The marketing director of Essent, TIAS alumnus Dorkas Koenen, agreed wholeheartedly with me. "*The Disruption Tour provides you with a decadal perspective*". A decadal perspective... This is something I get riding my mountain bike on the plains of Western Flanders. Passendale, 7.5 miles further down delightful dirt roads, reminds me of grim events, even those of one hundred years ago.

The theme of 'disruption' is particularly current, even in the world of university education. Educational innovation, is that not a contradiction in terms? When you are visiting the *aula antiqua* in Salamanca, you effortlessly travel back in time hundreds of years in this centuries-old auditorium. While

contemporary auditoriums might have a more modern appearance, they are still subject to the same basic processes. This might change abruptly in the near future. MOOC is today's buzzword. The Internet enables *Massive Open Online Courses*. Continuous hikes in tuition and the need for lifelong learning amplify this trend.ⁱ Technological substitution is no longer restricted to routine production jobs, but is increasingly making inroads into the *white-collar* environment.



MOOCs are an important example of what is labeled as disruption nowadays: the substitution of a business model by an outsider. That is the cold economic definition. In practice and in perception, three important elements are tacitly but generally added to the term disruption. After all, the substitution is often (1) radical as far as its speed is concerned, (2) comprehensive in respect of the takeover of existing business models, and (3) disastrous for employment.

Even the usually highbrow *The Economist* does not shy away from hyperbole and refers to Instagram. This company was acquired by Facebook for a price of USD 1 billion, and had 13 employees and 30 million customers. At its zenith, the former Kodak had 145,000 employees!ⁱⁱ

Should universities clear their auditoriums and fully adopt MOOC? We cannot leave this matter to the academics, as they will fuel the controversy. According to Michael Porter (Harvard), Harvard should offer online courses, but not "*in a manner that undermines the current strategy of the school*". His colleague Clayton Christensen, also affiliated with Harvard and the spiritual godfather of the disruption concept, is of a completely different opinion. He argues for a fundamental redesign of Harvard's business model. Meanwhile, Harvard created HBX. This innovation unit has 35 employees and seeks to launch a proprietary educational platform.ⁱⁱⁱ

It should be clear: the godfathers of *competitive strategy* (Porter) and *disruption* (Christensen) profoundly disagree on the practical response. Academic squabbling between top scholars does not help matters. Yet, the term is also experiencing purely scientific pressure. In an extensive essay in *The New Yorker*, Jill Lepore, history professor at Harvard, harshly ripped the disruption concept apart.

"It's a theory of history founded on a profound anxiety about financial collapse, an apocalyptic fear of global devastation, and shaky evidence."^{iv}

It is a small world. I began my academic career as a researcher at the University of Ghent in 1984. My subject was "*The turnaround of companies with an ageing technology*".^v This is called disruption in today's *management speak*. Therefore, I am somewhat skeptical of all this brouhaha. Clayton Christensen has drawn his inspiration from William Abernathy, Kim Clark, and even Schumpeter, among other sources.^{vi} The concept of disruption is a very sexy repackaging of an idea that has already been in existence for quite a while.

A kid in a candy store

Yet, what makes disruption exceptional is its geographical concentration in California. Nowhere else in the world are there so many companies that translate technology into practical applications that broadly change the way in which we communicate, act, pay, and think. This mentality is symbolized in a boat trip on a catamaran along San Francisco Bay. The vessel sails underneath the Golden Gate Bridge in the fog. The passengers with a fiendish mindset get off at Alcatraz. The lazy ones join the seals of Fisherman's Wharf. The hedonists travel further north to Napa Valley. The dreamers journey to Silicon Valley.

Therefore, in June of 2014, I traveled to San Francisco and San Diego together with 25 CEOs and important business persons. To call this group the *crème de la crème* would mainly be attributing too much honor to myself. Yet, it was a very select group. A decadal perspective does demand quite a lot from a man's absorptive capacity. Nevertheless, I did often feel like a kid in a candy store during the 16 company visits in one week's time. The latter is not a frivolous observation. In the past thirty years, I have made innovation into my field of research and a brief search on *scholar.google.com* shows that my research is quoted quite a number of times.

I have summarized my reflections on this fact-finding trip with the classic title of the Beach Boys, *Good Vibrations*. This legendary song reflects the similarities between pop music and high tech: significant fragmentation, a few superstars, many losers, and always entertaining. Few do realize that with *Pet Sounds* in 1966, the Beach Boys provided the inspiration for the magnum opus of the Beatles in 1967

(*Sergeant Pepper's Lonely Heart Club Band*).^{vii} In the same manner, the Californian innovation scene provides inspiration worldwide. These are often eccentric characters and *downright crackpots* who change the world. The parallels between Brian Wilson (frontman of the Beach Boys) and Simon Kurzweil (PayPal, Singularity University) are too significant to be ignored.^{viii}

The intent of the disruption tour, expertly led by Steven Van Belleghem and Peter Hinssen, was to offer inspiration. I did not expect answers, but rather new questions. This is entirely consistent with the mantra of TIAS Business School - *Never Stop Asking*. What I write are therefore not conclusions. It are hypotheses originating from amazement.



Neither is it my intent to write a hagiography about California. The state registers astronomically high debts in addition to high incomes. The financial situation is still considerably precarious, even after the term of Governor Schwarzenegger. Furthermore, there is often a considerable gap between the perception and reality of iconic companies; see *Inside Apple* of Adam Lashinsky, among others.^{ix} We were brutally reminded of this gap after an exciting meeting at the Janssen West Coast Research Center. Security forbade us to take pictures in the entrance hall. A security officer arrogantly added:

"You need to ask permission even for taking pictures of the flowers in the entrance hall."

The operating results of some of the *disruptors* were disappointing as well. This is entirely consistent with the expectations. Over a period of 10 years, only 0.07% of the high-tech startups in the US were valued at more than one billion US dollars.^x At StockTwits, a social network for traders and investors, I never had the feeling that I was listening to a presentation of *"one of the top 10 most innovative companies in web."* At our arrival, the entire staff was missing. Finally, one person showed up to provide text and explanation. A whiny voice, with a San Diego accent that inevitably rose at the end of each sentence, and poor results make for a sorry combination:

"How we make money? For a long time, the answer was: we don't. We wanted to find the right idea. We put forward a bunch of ideas and looked for what caught on. But nothing did. So we tried something else each time. We were five years too early. We shouldn't have collected so much money. We should have developed StockTwits through a bootstrap process. If we had done so, it would have been a profitable company by now. Why we are located in San Diego? Why not? It is a pretty city. "

Even in California, you encounter "passiots". Windy Goethals, an entrepreneur in the fitness industry, handed me this concept. According to him, more often than believed, entrepreneurs are after all

"passionate idiots who cannot see the forest for the trees business-wise, who are selectively blind from a commercial perspective, but who invariably continue to believe in their passion."

While the presentation at StockTwits was sobering in substance as well as in form, it constituted an integral segment of a phenomenal week, with visits to *Google, Khan Academy, Tesla Motors, 23andMe, PayPal, eBay, Palantir Technologies, Singularity University, Coursera, Stanford, Ripple Labs, StockTwits, EvoNexus, Janssen West Coast Research Center, Qualcomm* and *Scripps Translational Science Institute*.

On this corporate-anthropological tour, I was not even very interested in what these companies were actually marketing, their specific product innovations. Though, I must admit that the Tesla Model S is so graceful that I sincerely hope that the aesthetical scarring caused by the Toyota Prius will soon be forgotten. Cars are allowed to be environmentally friendly, but that does not mean that they should emulate the hideousness of the Fiat Multipla. But no matter how beautiful and innovative the Tesla Model S may be, I am mainly interested in how Tesla Motors achieves this.^{xi}

The immediate result was not so positive. The numerous air conditioning units in California and the long flight were detrimental to my respiratory channels and vocal chords. Afterwards, I needed a microphone to make myself heard in a small room with twenty students. What good is inspiration for a business school professor if he cannot proclaim it?

Maybe I will opt for the rarefied but pure air from a trekking expedition in the Himalayas in the fall of 2015.

Impact



I kept my notes in a notebook of Duvel. No surprise here. This seven-part blog is a summary of the many notes and impressions in that booklet.

I witnessed CEOs writing, drawing, taking pictures, tweeting, and asking to-the-point and fundamental questions ('*What does the Google brand really represent?*'). This unbridled hunger for knowledge gives me hope. In *The New Argonauts*, AnnaLee Saxenian uses Greek mythology to illustrate how the inverse brain drain of Indian, Taiwanese, and Israeli

engineers trained in Silicon Valley encourages entrepreneurship in their countries of origin.^{xii}

Well, the Belgian and Dutch CEOs behaved like the Argonauts in Saxenian's analysis. I am sure that this will find its way onto the shop floor. Progress requires a mild and selective anarchy.

ⁱ "Creative destruction", *The Economist*, 28 June 2014.

ⁱⁱ "Coming to an office near you," *The Economist*, 18 January 2014.

ⁱⁱⁱ Useem J. "Business school, disrupted", *The New York Times*, 31 May 2014.

^{iv} Lepore J. "The disruption machine", *The New Yorker*, 23 June 2014.

^v Moenaert R., Deschoolmeester D., De Meyer A. and Barbé J. "Organizational strategy and resource allocation for technological turnaround", *R&D Management*, 20 (4): 291 - 303 (October 1990); Moenaert R., Barbé J., Deschoolmeester D. and De Meyer A. "Turnaround strategies for strategic business units with an ageing technology", in: *The Strategic Management of Technological Innovation*, R. Loveridge and M. Pitt (eds.), Chichester: Wiley, 1990, pp. 39 - 61.

^{vi} See e.g.: Abernathy W.J., Clark K.B. & Kantrow M.A. *Industrial renaissance. Producing a competitive future for America*. New York: Basic Books, 1983; Abernathy, W.J. (1978). *The Productivity Dilemma. Roadblock to Innovation in the Automobile Industry*, Johns Hopkins University Press (1978); Schumpeter J.A. *Capitalism, Socialism and Democracy*. First published in 1942.

^{vii} The aforementioned albums are ranked second and first, respectively, in the prestigious *Most Influential Albums* of Rolling Stone Magazine.

^{viii} The following outstanding conversation with Marc Didden provides some background on Brian Wilson: <http://www.een.be/programmas/de-laatste-show/marc-didden-fan-van-brian-wilson>

^{ix} Lashinsky A. *Inside Apple. How America's most admired - and secretive - company really works*. New York : Business Plus, 2012.

^x De Valk E. *Silicon Valley*. Amsterdam: Lebowski Publishing, 2014.

^{xi} Jim Collins calls this social innovation: Collins J. "The ultimate creation." in: *Leading for innovation*. Hesselbein F., Goldsmith M. & Somerville I. (eds.). San Francisco: Jossey-Bass, 2002. p. 131 - 139.

^{xii} Saxenian A.L. *The new Argonauts. Regional advantage in a global economy*. Cambridge MA: Harvard University Press, 2006.