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Balancing Sustaining and Disruptive Innovation
By Dean Robb, Ph.D.

A renewable entrepreneurial enterprise must juggle, balance and integrate two phenomena, each requiring radically different values, mindsets, leadership and management approaches. The first is "sustaining innovations," which are basically improvements to a currently-existing business framework, and which milk the current business model and value proposition for all they are worth. The second is "disruptive innovations" which are innovations that threaten the currently existing business framework by fundamentally changing the rules of the game.

Most business leaders today grew up solely within the traditional 'sustaining innovation' paradigm, and thus often fail in their attempts either to successfully launch disruptive innovations, or to manage both kinds of innovations within the same enterprise. This article focuses on how leaders can learn how to integrate the two, facilitating the growth and maturation of the enterprise's disruptive innovations, nurturing and guiding them as if they were children, then letting them go as they mature into independent adults. And in the midst of all that, how they can keep procreating like mad!

The first change required is subtle but profound: business leaders must stop thinking about their business as being "about" any particular products, services or business models – i.e. fixed, static value propositions. Instead, business leaders must re-envision their enterprises as something like a dynasty. In which its members are a never-ending succession of new and different business models, value propositions, products and services – all of which are born, rise to prominence, age gracefully, and die. This mode of thinking explicitly integrates a clear recognition of impermanence: i.e. awareness that every value proposition will be replaced by more vigorous members of younger generations. The identity of the enterprise is not defined by any particular, ephemeral value proposition; the thread of continuity is the dynasty itself, not any particular member. The Stora Company of Sweden, for example, started out as a copper mine; today it is a major paper, pulp and chemical manufacturer. Talk about not over-defending your value proposition!

Under this perspective, the primary role of leaders changes fundamentally: unlike the mindset that can sometimes prevail in many of today's large corporations, the primary responsibility of leaders is not to endlessly protect and defend the "older generation" (i.e. over-defend established markets and existing product lines / value propositions). Rather, it is to continuously spawn and nurture healthy progeny to replace them, well in advance of their turning into 'doddering old fools.' Managing the business takes on the flavor of "succession planning," focused not on grooming future business leaders but on grooming future dominant new businesses!

Structurally, the model for the renewable entrepreneurial enterprise is one of differentiation and integration. In terms of differentiation, the model indicates that the dynasty is comprised of a spectrum of business subunits, differentiated by their relative maturity in the business lifecycle, by the capabilities required to execute their primary task, and by the capabilities required to manage them. However, they are also aligned (integrated) at the very highest levels into larger subgroups by what elements should in fact be shared, in the sense of being aligned around a shared services model, or perhaps in terms of shared suppliers, or shared missions.

The more mature businesses will be characterized by 'sustaining innovations' – improvements to existing business frameworks and value propositions. Management of sustaining innovations fits comfortably within traditional managerial frameworks, which focus on achieving excellent performance results within an existing – and relatively stable – organizational framework. The keywords in the traditional managerial framework are stability, predictability and control. This in turn will require a certain kind of individual; one whose background, skills and temperament are suited to this kind of task – a traditional manager. Over-simplifying a bit, the required management strengths in this situation are tilted more heavily toward the left-brain: i.e. logical, analytical, objective, 'scientific thinking,' mastery of details, plan your work and work your plan. This is the domain of traditional strategic and operational planning, of operations management, of production, of customer service, of systems, of process management and improvement, and possibly even process reengineering, as well as of sustaining innovations.

Mature businesses generally exhibit what could be termed a "Performance" culture, shaped by the never-ending requirement to deliver excellent financial results within a relatively fixed business context. Performance cultures have an operational or production-oriented flavor, meaning that they focus on repetitive, task-oriented behaviors, and place strong emphasis on "organizational alignment" (meaning convergent, synchronized behavior). They also tend to be hierarchical, perfectionistic and evaluative, with a strong emphasis on conformance to standards, in a never-ending drive to detect and eliminate errors.

All of these characteristics serve a mature business very well. But, as we shall see shortly, in the context of new business creation based on disruptive innovations, these same management approaches and cultural characteristics would choke and kill it.

Disruptive innovations are the DNA of new businesses. And continuously generating such radically-new DNA, and nurturing and growing new businesses based on it, requires capabilities, values, mindsets, leadership and management approaches that are fundamentally different from traditional management frameworks – the kind that are taught in most MBA programs, and the kind that most managers learn as they move up the corporate ladder. Launching new businesses based on disruptive innovations is better-suited to the profile of the entrepreneur – someone with a certain kind of market-driven intuition or instinct, and very high levels of passion and drive for success – to create something entirely new.

The front-end of the entrepreneurial process is raw creativity – generating radically new value frameworks – and thus is more strongly tilted toward the right-brain. And the earlier stages of business growth in an entrepreneurial enterprise are highly unpredictable, requiring a highly improvisational, rapid-response mindset and approach, which differs significantly from the more pre-planned strategic approach of the sustained innovation side of the house. New businesses inherently carry much more risk than an existing business, and thus require a different kind of mentality on the part of team members.

The culture of new businesses is more "Adaptation" oriented: very high on the "visioning" thing, very tolerant of diversity and divergence in types of people, points of view, ideas, and perspectives; non-perfectionistic in that it embraces learning from mistakes; tolerant of ambiguity; questioning; experimental. They also tend to be oriented more toward non-hierarchical relationships that are characterized more by mutuality and partnering.

In this entrepreneurial context, traditional management skills, combined with the "performance" culture characteristic of a mature business would be deadly. The need for order, prediction, conformance and control; for exactness, specificity, and perfection; for clear plans and procedures, followed all the way down the line; the use of unilateral, hierarchical power in a command-and-control mode; all of these combined would just kill off the spirit – and the actuality – of innovation and entrepreneurship.

On top of all of this, it would be a deadly mistake to evaluate an emergent business using the same criteria as an existing business. A new business making 15% on a 15M$ base might look like peanuts when compared to an existing business making 8% on a 2B$ base. However, doing this would be tantamount to a dynasty killing its children! The end of the dynasty would be just over the horizon, and it would have nobody to blame but itself. The two different kinds of business units must be kept separate and also valued separately.

So, what is needed? Differentiation, integration, and what is referred to as Migration. Migration is an ongoing, careful evaluation of the "stage of life" of each business for the purpose of deciding what kinds of capabilities and cultural attributes – as well as people – are most suited to it. Paying close attention to these issues will pay off in guaranteeing a long and fruitful reign to the new, emerging kind of renewable, entrepreneurial dynasty.

About Dean Robb, Ph.D.

Dr. Dean Robb is Founder and Executive Director of the Center for Corporate Renewal (www.ctrforcorporaterenewal). Since 1994, he has helped numerous domestic and foreign business leaders build high-performing, innovative, entrepreneurial enterprises. His expertise combines 26 years of practical, real-world experience in corporate America with in-depth research in human and organizational systems.

The Center for Corporate Renewal helps senior executives build the capability to:

- Strategic Focus: Make sense of a changing environment and gain focus on the next right strategic move
- Disciplined Execution: Align and mobilize the entire organization behind this new strategic focus
- Creative Renewal: Renew the entrepreneurial spirit by repeating these two actions over and over again.

For information on how Dr. Dean Robb can work with your organization to instill a spirit and ethic of renewable corporate entrepreneurship, email him at drobb@ctrforcorporaterenewal.com or call him at 908-757-4721,