



Nondisruptive Creation, Part II

Leading Learning Podcast Transcript for Episode 406

Jeff Cobb: [00:00:00] The book *Beyond Disruption* can help learning businesses think about identifying new products and services to reach more learners, generate more revenue, and have greater impact—and do that in a way that avoids the disruption of traditional kinds of innovation.

Celisa Steele: [00:00:20] I'm Celisa Steele.

Jeff Cobb: [00:00:22] I'm Jeff Cobb, and this is the Leading Learning Podcast.

Celisa Steele: [00:00:30] In our Learning Business Maturity Model, strategy is one of the five fundamental domains learning businesses need to work on and work in in order to mature and be successful.

Jeff Cobb: [00:00:42] To help in your strategy work, we offer in this episode, number 406, the second half of our audio book report on *Beyond Disruption: Innovate and Achieve Growth Without Displacing Industries, Companies, or Jobs* by W. Chan Kim and Renée Mauborgne.

Celisa Steele: [00:01:01] As a reminder, in episode 404, we covered the first half (part one) of that book, which is titled "Nondisruptive Creation: What It Is and Why It Matters." You can find a link to that earlier episode in these show notes, which you'll find at leadinglearning.com/episode406.

Jeff Cobb: [00:01:22] In this episode, we're going to look at the second half, or "Part Two: How to Realize Nondisruptive Creation." So more how-to and practical versus the more conceptual that we covered in the previous episode.

Celisa Steele: [00:01:38] If you haven't listened to episode 404 yet, we do encourage you to listen to it, but this episode should also stand on its own.

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Jeff Cobb: [00:01:48] It can stand on its own, but, as a reminder for those who listened to episode 404 already, we should offer a quick recap. And, of course, this will be good for those who have not listened to episode 404 already.

Celisa Steele: [00:01:59] Kim and Mauborgne argue that nondisruptive creation is a unique form of innovation, and it involves “the creation of a brand-new market outside or beyond existing boundaries.”

Jeff Cobb: [00:02:15] This is a new term, a new positioning—which is always good for selling books, I’ll say—but it’s not a new phenomenon.

Celisa Steele: [00:02:25] Yes, a lot of the examples that we cover in episode 404 go back decades at this point. So definitely not a new phenomenon. But, as you said, this is their positioning of it, and that’s the basis for this book. They contrast nondisruptive creation with disruptive creation, and disruptive creation displaces and disrupts usually at least some, if not potentially close to all, of an existing industry. You have Netflix eating Blockbuster’s lunch, for example.

Jeff Cobb: [00:02:57] Right, and, for a long time, this was really seen as “the” way to innovation, and innovation and disruption, you always heard those in the same breath, and it felt like a zero-sum game. There are winners, and there’re losers. Basically, if you’re innovating, you are disrupting. You’re taking some of your competitors’ pie.

Celisa Steele: [00:03:17] Now, they also argue, Kim and Mauborgne, that nondisruptive creation is different than blue ocean strategy, which was really what brought them to the forefront of so many people’s attention—it certainly brought them to our attention. But blue ocean strategy leads to a blend of disruptive and nondisruptive growth; usually some displacement happens, but it’s less than with disruptive creation. It’s a middle path. When we talked about Southwest, for example, in episode 404, it took away some demand from the existing airline industry. It also took away some demand from the existing rental car industry. And then it created a little new demand by working across those two existing industries.

Jeff Cobb: [00:04:01] And so blue ocean is already pointing towards that non-zero-sum thinking; it’s about expanding that pie to create those blue oceans rather than just taking somebody else’s pie.

Celisa Steele: [00:04:13] Then nondisruptive creation and growth—when you’re dealing with that kind of innovation—it doesn’t involve any significant displacement. Sesame Street and

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Post-it Notes are examples of nondisruptive creation, and that nondisruptive creation is the focus of *Beyond Disruption*. With it, you have positive-sum thinking. Instead of zero-sum thinking, this is actually really adding to that pie, and it's a win-win rather than a win-lose.

Jeff Cobb: [00:04:45] To sum up, disruptive creation generates new markets *within* existing industry boundaries, which creates that disruptive growth. Blue ocean strategy creates new markets *across* existing industry boundaries, producing a mix of disruptive and nondisruptive growth. And then nondisruptive creation creates new markets *outside* existing industry boundaries and generates mostly nondisruptive growth.

Celisa Steele: [00:05:11] So the three key words there are those prepositions: *within*, *across*, *outside*. For disruption, you're looking *within* existing boundaries. For blue ocean, you're looking *across* existing boundaries. And then with the nondisruptive creation, you're looking *outside* of existing industries.

Jeff Cobb: [00:05:29] In Part One, Kim and Mauborgne talk about three distinctive characteristics of nondisruptive creation. It can come about, for example, because of a scientific or technology-driven innovation—think something like Post-it Notes—but it doesn't have to—think about something like Sesame Street, which really wasn't a technology innovation.

Celisa Steele: [00:05:51] They also say that nondisruptive creation is not limited to any specific region or socioeconomic standing. It can happen in developed markets or in developing, or bottom-of-the-pyramid, markets. You take something like Post-its and Sesame Street—those started in developed economies. But you have Grameen Bank starting in Bangladesh and that bottom-of-the-pyramid-type setting.

Jeff Cobb: [00:06:14] And then, finally, it can be new-to-the world innovation—so something we just haven't seen before, like Square, the e-commerce tool—or it can simply be new to an area of the world, for example, where it hasn't been there before, and we referenced the machine sold in India to make sanitary pads.

Celisa Steele: [00:06:32] That's the end of our recap and reminder of what this nondisruptive creation is all about. But, in Part Two of *Beyond Disruption*, Kim and Mauborgne look at how you can find these kinds of innovations, whether they're new to the world or new to an area, as you were just talking about that distinction, Jeff. I would say that a lot of what they suggest in Part Two of the book boils down to what we would call mindset. Organizations that find nondisruptive creation often do so by essentially having a growth mindset, by having a can-do,

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can-learn mindset, and feeling like they're not going to be fixed and limited by current constraints. They borrow a distinction from sociology. It's a distinction between structure and agency. Structure has to do with the environment, the world we experience, and our reality.

Celisa Steele: [00:07:33] Agency has to do with the power for us to think and act for ourselves and that influences and even creates our environment. Kim and Mauborgne argue that, for a long time, the corporate world has been urged to analyze what is, so that they can then shape their view of what could be—meaning they were focusing on structure, focusing on the reality and the world as it exists. But Kim and Mauborgne point out that organizations that generate nondisruptive creation tend to focus more on agency over structure. That focus on agency and this idea to think and act leads then to having them question the existing assumptions, that leads to them experimenting. It leads to them reimagining a world without those givens and those limitations of that more structure-driven viewpoint that has had a strong hold in the corporate world and in business in general for so long.

Jeff Cobb: [00:08:38] It's probably easy to not appreciate or even to dismiss how important that point of view is because it is true. So much of strategy, historically, has flowed out of situational analysis. What is the situation right now? And then what do we change to create a new situation? I think that factors into blue ocean strategy as well. The blue ocean strategy isn't free of that. Getting yourself in a mindset that's not just about what is—or not dwelling too much on what is, and trying to get outside of the boundaries entirely. Maybe completely throw out what is, and imagine a different world entirely. You think of the world that we work in, where it's just a given that there is continuing education credit, for example. So many organizations operate in that world, and it's unimaginable to even think that maybe there could not be CE credit and still be a viable learning business. And it's a good exercise to throw that out the window and say, "We don't have that. So what now?"

Celisa Steele: [00:09:41] Kim and Mauborgne also make the point that nondisruptive innovation and growth tend to come from organizations that don't confuse the means with the ends. That is, those organizations don't focus on the discovery, the new technology, or the product per se. Instead they focus on value. Here's a little quote from *Beyond Disruption*: "They"—meaning these organizations creating nondisruptive innovation and growth—"see technology as a great enabler but realize that *value innovation*, offering buyers a leap in value, is what ultimately creates a nondisruptive market."

Celisa Steele: [00:10:23] Technology is at the heart of a lot of the nondisruptive innovation cases that they cite, but the key is to not see that technology as the end but as a means to an end. The

tech is providing a path to providing value. We can take Post-it Notes again—that was a technology-driven innovation. It was essentially a failed adhesive, and it was set aside because, until there was a use case that unlocked the value of that discovery, there really wasn't a use for it. But somebody suddenly realized, "You know what? Being able to put something on a page and then remove it later, that's actually pretty useful." So, again, the technology didn't necessarily have value until the application was thought of.

Jeff Cobb: [00:11:13] Yes, and I think this focus on value—we do tend to focus a lot on value, at both Leading Learning and Tagoras, when we're talking about things like pricing but also strategy in general—I think it's when you really forefront "What is the value that we can create, that we're trying to create, that is possible, that we've discovered, that nobody else has discovered?," when you start focusing on that, that's really what frees you up from being mired in the current situation.

Jeff Cobb: [00:11:40] You're really focusing on what that value is, how you can achieve that, what makes sense for achieving that value, and you start to get into areas where nobody else has been thinking before, if you can discover what those new areas of value might be in ways that you can realize that value. To go back to the continuing education thing, for the most part, nobody really cares if they're getting continuing education credit. They're doing it for some other reason. There's some value that's being created, or potentially created, for learners in this whole learning business landscape that we work in, live our lives in, day in and day out. And, if you spend some time thinking about "What is that value? How can value be realized?," you start to leave behind all of the old structures and start to think through "What is it that gets us to achieve that value?"

Celisa Steele: [00:12:32] At Tagoras, we partner with professional and trade associations, continuing education units, training firms, and other learning businesses to help them to understand market realities and potential, to connect better with existing customers and find new ones, and to make smart investment decisions around product development and portfolio management. Drawing on our expertise in lifelong learning, market assessment, and strategy formulation, we can help you achieve greater reach, revenue, and impact. Learn more at tagoras.com/more.

Celisa Steele: [00:13:09] The third point they make around what I'm going to put under the umbrella of mindset around nondisruptive creation is that the organizations that go down that nondisruptive creation path tend to view creation as more democratic. You don't have to be the scientist in a lab having that great breakthrough. You don't have to be an entrepreneur per se.

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One example that they give is Bette Nesmith Graham, who invented White-out. She was a secretary and an artist, and she realized that the way painters paint over a canvas to cover up mistakes could actually be applied to the pages she was typing up. She wasn't high up in this bank at all, but she had this insight and her experience, and she was able to create this nondisruptive creation of White-out.

Jeff Cobb: [00:13:57] Fun fact: She was a single mother, and her son, Michael, grew up to be in the Monkees. Michael Nesmith—you may recognize the name if you're a fan.

Celisa Steele: [00:14:06] "Hey, hey...."

Jeff Cobb: [00:14:07] "Hey, hey, we're the Monkees." Yes, that might be my favorite bit of information from this entire episode.

Celisa Steele: [00:14:13] Then, after the mindset, Kim and Mauborgne get into—or try to get into—some more specifics about how to identify and pursue a nondisruptive opportunity. And I say "try" because their three building blocks for realizing nondisruptive creation are really almost laughably simplistic. Building block one is identify a nondisruptive opportunity. Number two is find a way to unlock the opportunity. And number three is realize the opportunity.

Jeff Cobb: [00:14:41] Yes, definitely simple, or even simplistic, but not easy.

Celisa Steele: [00:14:46] No, definitely not easy.

Jeff Cobb: [00:14:48] I was talking earlier about you need to see new value. You need to understand value and really align your activities to the creation, the delivery of that value if you want to break outside of current structures. But that's not easy. Occasionally, some great, new value falls in your lap to a certain extent, something like Post-it Notes did. You created it for some other reason, and then, suddenly, you have an aha. But oftentimes this is why organizations call in consultants. That's why you have retreats. It's why you try to engage in active learning, day in and day out, so that you will have those moments where you have that realization that, hey, there is a huge value opportunity here, and we can start to find the ways to unlock it and realize it.

Celisa Steele: [00:15:31] Yes, I think that's a very important and valid point. What Kim and Mauborgne are trying to do in the second half is teach you how to go out after these

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opportunities rather than just sitting and waiting for the aha, the eureka moment to strike. This is more about going out and trying to find these. So they talk about two avenues to nondisruptive opportunities. One is by addressing an existing but unexplored issue or problem, and then the second is by addressing a newly emerging issue or problem. In terms of that first, addressing an existing but unexplored issue, Kickstarter falls into that category.

Jeff Cobb: [00:16:15] Yes, for how many eons were people wanting to start a business, needed ways to fund that business that were simply out of reach to most aspiring business owners? Most people can't go out and get loans from a bank. Most people can't go and issue stock and sell it. So what's the answer for that 90, probably 99 percent who can't do those things?

Celisa Steele: [00:16:35] Right, and Kickstarter also had that real focus on creatives as well. So, really, almost microbusinesses and things that people sometimes don't think of as businesses. You want to write that book and be able to put it out there or get that CD out there. Now, in the second category, addressing newly emerging issues or problems, Kim and Mauborgne talk about Dimchae, which is a kitchen kimchi maker that got really popular in Korea. What was happening is that Koreans traditionally would make their own kimchi, and they would put all the ingredients in a big clay pot, bury it in the garden, and then they'd have it over the course of several months. Well, as more and more Koreans moved to the city, they didn't have gardens to bury these clay pots in anymore.

Celisa Steele: [00:17:21] You could do it in a refrigerator, but then your whole refrigerator smelled like kimchi, and it took up a lot of space in your refrigerator. So Dimchae made a countertop kimchi maker, and it took off. That's just one example they give. Because of this move of the Korean population to the city, that's what created this need. That was addressing a newly emerging problem. They also talk about the nondisruptive market of cybersecurity. As the Internet grew, as we all began to engage with e-mail and the Internet, that opened up the possibility for people to take advantage of us, which then created the opportunity for this cybersecurity market. Businesses working in that industry really are addressing a newly emerging issue or problem.

Jeff Cobb: [00:18:05] Those are two avenues or paths to disruptive opportunities: an existing but unexplored issue or problem or a newly emerging one. And then they also talk about three ways to identify a nondisruptive opportunity, and those include direct experience, empathetic observation, and active scouting.

Celisa Steele: [00:18:27] With direct experience, this could be you're Bette Nesmith Graham, and you're thinking about how what a pain in the butt it is to retype your pages when you make a mistake, and you realize, "Ah, well, I can use the same logic that I use when I'm painting there." So it can come from your direct hands-on experience. Empathetic observation can be that you're paying close attention to those who are suffering the brunt of whatever the issue or problem is. And then, with active scouting, you're going out and asking questions or doing some field work to observe what's happening. I think all of this aligns pretty well to the Market Insight Matrix that we use in our line of work.

Jeff Cobb: [00:19:08] It does. It aligns with our overall approach to market assessment in general. In the Market Insight Matrix, we divide activities into tracking, listening, and asking. Tracking is really observational—just looking at what's happening out there. Listening is a little bit more engaged in conversations that are going on. And then asking is being more directive—actually putting something out there and testing it in the marketplace. And so you get levels of experience out of this. You certainly get the opportunity for empathetic observation. And then, in these more active parts of the Insight Matrix and of our market assessment in general, you are actively scouting and trying to surface what those opportunities are going to be. Where is that value that can be created that's potentially being overlooked?

Celisa Steele: [00:20:00] We think of ourselves as lifelong learners.

Jeff Cobb: [00:20:05] I do indeed.

Celisa Steele: [00:20:05] I think a lot of our listeners think of themselves as lifelong learners. So that first point, around direct experience, we shouldn't gloss over that. There's real potential for us to think about in our own learning, "Where are our pain points? What is it that, gosh, if someone could figure out how to do X, that would make my own learning so much easier, so much better?" Yes, you do need to know your audience. You need to do the work to make sure that you're tracking, listening, and asking, that you're having the empathetic observation opportunities, that you're doing that active scouting. But also don't forget that you do have direct experience that may be very relevant here.

Jeff Cobb: [00:20:47] Definitely. And then, once you do have an opportunity in mind and, again, whether it's to address an existing issue or an emerging new issue, you're going to want to assess it and then really frame that opportunity.

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Celisa Steele: [00:21:03] Yes, and that first one, around assessing the opportunity, Jeff, that fits very neatly with the kind of market assessment work we do a lot in our consulting projects. This is about really trying to assess the size of that potential market for whatever product this opportunity is going to lead to.

Jeff Cobb: [00:21:21] Yes, it's the analytical part of that. We're going out and getting that data from the market, but then what opportunity does it really represent in terms of reach, revenue, impact? Those are the three things we talk about, and that's how we characterize opportunities. Is this something that is really going to expand our reach? Is it going to expand our revenue? Is it going to help us to have much more impact than we might otherwise have?

Celisa Steele: [00:21:46] Yes, Kim and Mauborgne actually do talk about, when assessing the opportunity, to not just look at the financial side but to look at the impact side as well.

Jeff Cobb: [00:21:53] Right.

Celisa Steele: [00:21:55] And then, on the framing side of things, Kim and Mauborgne talk about using "atomization" to make the opportunity seem more manageable and like something that could actually be pursued so that folks don't get overwhelmed. As an example, the Grameen Bank didn't set out to solve extreme poverty across all of Bangladesh. Instead, Yunus started with microloans in one village and then grew from there. By really focusing at first on the microloans in one village, that allowed him to get alignment around that vision, and it seemed achievable rather than saying, "We're going to fix poverty."

Jeff Cobb: [00:22:38] Right. And then to follow their flow, their logic: If you have an opportunity in mind, you've assessed the market potential and then framed that opportunity, then you're ready to really invest the time and energy in trying to unlock that opportunity and realize its potential.

Celisa Steele: [00:22:58] And they say the place to start there is to try to understand why this opportunity has been overlooked or gone unaddressed. The key question they would have us ask is: "What industry should theoretically address this issue, and why hasn't it done so?"

Jeff Cobb: [00:23:16] I think that's an interesting one in our world because, just this week, I noted in a post on LinkedIn that Spotify has now entered the course market, lifelong learning. And, of course, LinkedIn itself has LinkedIn Learning. It bought Lynda a while back. You ask that question about "Who theoretically should address this issue?" It may be somebody you

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haven't really been thinking about. It may be an industry you haven't been thinking about before. Social media has gotten into this. Big tech companies have gotten into this. Now a company that's known as a music distributor has gotten into this. It can produce some really interesting thinking to consider who else should or could address a particular opportunity.

Celisa Steele: [00:23:59] That is an interesting example because "Who should potentially be addressing this?," it could point to one of those other players in the third sector, maybe. We like to talk about the third sector of education—that's the range of folks helping people once they finish their formal education. And so it could be that an association's saying, "Oh, well, normally, that would be a higher ed group doing that and handling that." Or it could even be that a second sector player; maybe it's even something that you expected high schools to address, for example, and now, suddenly, it needs to be addressed by someone else. I think that's a little bit behind some of the need for the training that happens even as "educated folks" join the workforce, where the businesses are finding that they're not really prepared to do the job and ready to do the job. In some ways, they're backfilling for what might have been an earlier industry's responsibility.

Jeff Cobb: [00:24:55] Yes. One of the reasons we see so much potential in digital credentials, which is something we've talked a lot about recently and are doing a lot of work in that area, is because it really seems like an area where the "Who should address the issue?" is a little bit up for grabs. There's a lot of scrambling in academia, higher education around this. But there are also a lot of nonprofit and for-profit players involved in that. Employers themselves are involved in it. The associations are involved in it. How that's all going to shape up? Again, to go back to something like LinkedIn, social networks, a lot of the value in badges, for example, right now is them showing up on LinkedIn profiles. There's a role, obviously, for that sort of network of players to help create the ecosystem around digital credentials, which is a very important part of them actually catching on in the end. Again, there's a big opportunity there, and that whole question of "Who should/who can really address it?" is very important.

Celisa Steele: [00:25:54] Now, Kim and Mauborgne also make the point that organizations that are going down this nondisruptive path need both confidence and competence. On the confidence side, they insist that it has to be the collective confidence. It has to be organization-wide. It can't just be a leader or somebody who's all gung-ho about this idea, and the rest of the people are thinking, "Oh, no, I don't know if this is really going to pan out." It's collective confidence across your learning business or organization. Then the second part of that is the competence. They break competence down into three things. Resourcefulness, which I think is basically the ability to research and to learn new things and to be able to figure out what it is

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you need to know. The second thing is internal capabilities; this is basically what we refer to as capacity in the Learning Business Maturity Model—it's about your existing people and technology in your organization and the knowledge and the skills that those people and that technology provide. Then the third thing is a could mindset instead of a should mindset. This gets back to opening up possibilities; it puts us into that agency realm rather than that structure realm.

Celisa Steele: [00:27:12] *Should* often makes people think about, “Oh, there’s a ‘right’ answer,” or “I should be doing it this way,” whereas *could* opens up possibilities, experimentation, and brainstorming—it opens up the possibilities. They offer a 2x2 matrix, where they put confidence on one axis and competence on the other, and then they divide those into high and low. That results in four boxes. If you’re in the box where both confidence and competence is high, then that’s a green light. That’s an idea to pursue. You can go all in on it. If your confidence and competence are both low, then that’s one you shouldn’t pursue. If it’s a mix, if either competence or confidence is low, and the other is high, then that’s a place where you need to do a little bit of rethinking and recalibrating to see can you bring up the confidence or the competence to be higher, and to make it a sufficiently safe bet to spend more time and energy pursuing whatever that nondisruptive opportunity is?

Jeff Cobb: [00:28:24] I will say, with any business book, if you want consultants to use it, want corporate leaders to use it—as I’m sure Kim and Mauborgne do with this book—you have to have a 2x2 matrix in it. That’s an absolute necessity. And that’s probably a good place to cap off our discussion of this book, and we hope the listeners have found it helpful. Obviously, we’re just scratching the surface here, and it’s a rich text that you should dig into. If you have not actually read *Blue Ocean Strategy*, which preceded this, you can read them independently, but we really, really strongly recommend that you read that as well. Read both of these. Mark them up. Have some discussion within your organization about them. They’re conceptually very powerful, but they’re also both practically very powerful.

Jeff Cobb: [00:29:11] It’s something that I’ve always liked about Kim and Mauborgne; they give you these concepts, but they also give you some good tools to apply to bring the concepts to life and make them usable within your context. We’ll say too that we’d love to hear from you whether this book report has been useful or not, and we’d love recommendations from you if there are other books that you’d like us to do a future book report on. You can always send in comments on the show notes for any episode that we put out there. This one is the same. At leadinglearning.com/episode406, you’ll have the opportunity to put comments in. Or you can always send us an e-mail at leadinglearning@tagoras.com.

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Jeff Cobb: [00:30:08] The book *Beyond Disruption* can help learning businesses think about identifying new products and services to reach more learners, generate more revenue, and have greater impact—and do that in a way that avoids the disruption of traditional kinds of innovation.

Celisa Steele: [00:30:24] At leadinglearning.com/episode406, you'll find show notes, a transcript, and options for subscribing to the podcast. If you haven't yet, please do subscribe.

Jeff Cobb: [00:30:35] And we'd be grateful if you would take a minute to rate us on Apple Podcasts or wherever you listen, especially if you enjoy the show. Celisa and I personally appreciate reviews and ratings, and they help us show up when others search for content on leading a learning business.

Celisa Steele: [00:30:50] And we hope you'll spread the word about Leading Learning. You can do that in a one-on-one exchange with a colleague, or you can do it through social media. In the show notes at leadinglearning.com/episode406, you'll find links to connect with us on X, LinkedIn, and Facebook.

Jeff Cobb: [00:31:06] Thanks again, and see you next time on the Leading Learning Podcast.

[music for this episode by DanoSongs, www.danosongs.com]

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