

Putting the Power of
Disruptive Innovation to Work

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“Playing it safe is not safe in today’s fast-paced marketplace. *Disrupt Yourself* is a must-read for anyone looking to stand out from the crowd and pursue innovation in our highly uncertain business climate.” —ERIC RIES,

*best-selling author of **The Lean Startup***

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Whitney Johnson

Author of *Dare, Dream, Do*

Praise for
Disrupt Yourself
and Whitney Johnson

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—Eric Ries, best-selling author of
The Lean Startup

“I have used the word ‘disruption’ to understand how some companies blossom while other wither. Whitney has applied the word in a different context – to understand why some individuals succeed in remarkable ways. Enjoyed this book!”

—Clayton M. Christensen,
Harvard Business School, *New York Times* best-
selling author of *The Innovator’s Dilemma*

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“Too often we’re told that to be successful in leadership or business, we must fit a certain mold. Whitney Johnson knows better. Applying the lessons of disruptive innovation to personal growth, she shows us how to pursue roles suited to our own strengths, to follow our own unique way of thinking and doing—and to dramatically increase our productivity, creativity, and happiness.”

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“Wow! *Disrupt Yourself* wins the ‘plain English’ award—which is to say I’ve seldom if ever read a better written business/career development book. The advice is compelling, clear-as-a-bell, research-based, and actionable. And it’ll work as well for a forty-something as a twenty-something.”

—Tom Peters, best-selling author of *In Search of Excellence*

“A motivating, compelling case for shifting gears right when we’ve reached our peaks. Whitney Johnson not only explains the why and how, but cheers us on along the way to greater meaning, learning, and innovation.”

—Adam Grant, Wharton professor and
New York Times best-selling
author of *Give and Take*

“Leaders at all levels are often reminded that continuous learning and personal growth are key to successful careers and meaningful lives. In *Disrupt Yourself*, Whitney Johnson shows how to pursue them, purposefully building a foundation to keep oneself and others learning, changing, and thriving in the long term.”

—Gianpiero Petriglieri, associate professor of
organizational behaviour, INSEAD

“Whitney Johnson’s *Disrupt Yourself* provides clear guidance that will help you both boost your career and become a driving force in market evolution. Her innovative approach proves that staying true to your own strengths can be groundbreaking, and often take you further than following established paths. I highly recommend this book.”

—Michelle McKenna Doyle,
SVP, CIO, National Football League

“You already know that to have the career—and life—you always wanted, you’ll need to be innovative, take risks, and spot and seize opportunities. But how do you actually do any of those things? Because it’s not at all obvious to most of us. Luckily, Whitney Johnson knows exactly how disruptive innovation gets done, and her brilliant new book *Disrupt Yourself* is the how-to guide you’ve been waiting for.”

—Dr. Heidi Grant Halvorson, Columbia Business School, best-selling author of *Nine Things Successful People Do Differently* and *No One Understands You and What to Do About It*

Disrupt Yourself

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Putting the Power of
Disruptive Innovation to Work

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*To my husband,
who always says jump*

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1

Take the Right Risks

*Be a Columbus to whole new continents and
worlds within you, opening new channels,
not of trade, but of thoughts.*

—Henry David Thoreau

You're trying something new: you've made a lateral move, been promoted, or started a new job. You are confident that you can be successful, but so much is unfamiliar. It's easy to become frustrated. Take a deep breath, and remember that at the beginning of this S-shaped growth curve, progress will be slow.

Very little is habitual at the low end of a learning curve. Considerable effort may seem to yield few results. Mapping new mental territory and creating new neuronal and electrochemical connections take time.¹ But, as you practice, new neural networks are formed, and stimulating one neuron in a sequence

stimulates others. The basal ganglia, an oval of brain cells about the size of an apricot, bursts with activity, analyzing everything—every interaction with stakeholders, every piece of data—and begins to detect patterns. To maximize efficiency, the human brain converts these patterns or sequences of actions into a routine known as “chunking.” For instance, I’m guessing that you simply “brush your teeth” without breaking that task down into disparate parts like reaching for the tube of toothpaste, picking it up, unscrewing the cap, and so on. The more chunking occurs, the more reflexive an activity becomes.²

But if a task is not both meaningful and relevant, your brain will have little motivation to learn it—and thus to move up the S-curve. Therefore, the first thing you need to ask is, “What is it that I am trying to accomplish?” Or, in other words: What job needs to be done?

Understanding the Job-to-Be-Done

The Merriam-Webster dictionary definition of “to hire” is “to give work to a person in exchange for wages or payment”. But “hiring” can have a much broader definition, extending to every product and service we use. Whenever we buy something, we are “hiring” that product or service to take care of an unmet need, to do a “job.” This is an essential part of the outcome-driven innovation process introduced by Anthony Ulwick³ and popularized by Clayton

Christensen, who calls it the “jobs-to-be-done” theory. To develop a new service or bring a new product to market, an innovator applying this theory doesn’t focus on a customer’s age or gender. Instead, she focuses on what problem the customer needs solved, and who or what can be hired to do that job.

Every job that people want done, with few exceptions, has both functional and emotional elements. Take, for example, buying a home. There is an obvious unmet need—putting a roof over your head. However, if you buy a larger house than you require for shelter or spend hours planting a garden in the backyard, there’s also an emotional job afoot.

Consider your use of social media. Perhaps you, like me, hire Twitter to help you expand your network. JP Rangaswami, chief data officer for Deutsche Bank, described tweets as the “knowledge worker’s pheromones,”⁴ a means of sending signals to others. I also hire Twitter to prototype my ideas in real time and to learn to think more concisely. Now that LinkedIn has added a publishing platform, I can hire it to help me hone my personal voice via blog posts, in addition to consulting its repository of résumés when I am on the hunt for talent. Because the list of jobs that LinkedIn can do for me has expanded, like an all-purpose cleaner, I seem to hire LinkedIn at least once a day.

As a professional investor, I hire an investment to do the functional job of making money. But whether I realize it or not, I am also hiring the investment to do an emotional job for me. To illustrate my point, let’s

take a look at the U.S. reality show *Shark Tank*, which features budding entrepreneurs presenting their business plans to five self-made multimillionaires, hoping to convince them to invest. During the second episode of season 6, Mark Cuban invested in a company called Roominate, an award-winning line of toys designed to inspire innovators, founded by two female engineers out of Stanford and MIT.⁵ One of Cuban's conditions was that the founders mentor his two young daughters. In addition to a financial return, he was looking for an emotional return for himself, and an educational return for his children.⁶

Identifying the Job You Want Done

When you are beginning a new project, you need to figure out what “jobs”—both functional and emotional—this new endeavor will do for you. It's best to clarify this either before you switch to a new role or as soon as possible thereafter. As executive coach Pam Fox Rollin shares in her book *42 Rules for Your New Leadership Role*, “Many flameouts can be traced to missteps during [the] first quarter... [F]or the 60–75% of leaders that survive into a second year (one third fail within the first year), their effectiveness and trajectory are powerfully affected by choices made in the first year.”⁷ To make better choices early on, take the time to figure out why you're really making a move.

For a concrete way of thinking about this, I always

come back to a lecture given by Steve Kaufman, former CEO of Arrow Electronics, at Harvard Business School in 2010. Like job role changes, corporate mergers are a time of transition—and hence anxiety. Kaufman recounted advice from the former head of Arrow’s acquisition integration team, Betty Jane Hess: “When we make an acquisition, every employee has just three questions: (1) Do I have a job? (2) Who do I report to? And (3) How will I get paid? Until they get answers, nothing else matters.” Let’s take each in turn:

1. **Do I have a job?** In psychologist Abraham Maslow’s hierarchy of needs, one of the most basic is to feel secure. But once we’ve got the paycheck that will put food in our stomachs and shelter over our heads, we need to feel that we belong, that what we do matters,⁸ and that we are learning. These are needs not often covered by our formal job descriptions. Similarly, our companies and coworkers need things from us that go beyond our job titles. If you’re a producer at an ad agency, your job is ostensibly to bring marketing assets to life. If you’re a computer programmer, your job is to write code. But perhaps it’s also your job to do the emotional work of achieving consensus among stakeholders, or the logistical job of keeping people on track. For the person who says, “I just want to do my (functional) job,” the realization that he will not be rewarded solely on his domain expertise can come as a shock. When people decide to make a change, it’s

often because the work no longer does the emotional job they originally hired it to do, or because they want to shed some of the unspoken “jobs” that came with the role. So when you’re planning a move, be very clear on what the job is, from the company’s perspective and yours, both functionally and emotionally.

2. Who do I report to? If you’ve been through a merger, you know just how blurry the reporting structure can be. But uncertainty can be found in any work situation, not just after a takeover. When people don’t know to whom they answer, or the metrics by which they will be measured, there will be chaos.

Research from Colin Camerer, a neuroscientist at Caltech, and his colleagues indicates that people prefer known risks to ambiguity. When test subjects were asked to make decisions based on little or ambiguous information, they exhibited substantially more activity in the amygdala, an area of the brain associated with fear, than when they were asked to make decisions they *knew* were risky. It’s this inexplicable fright—an irrational by-product of not knowing—that keeps us from focusing on the possibility of future rewards.⁹ Once you solve the problem of where you fit, to whom you’ll be accountable, and how your contributions will be measured, your brain can spend less time worrying and more time learning.

3. How will I get paid? Notice that the question here is not *how much*. We all want to be paid in cold

hard cash, and preferably a good amount of it. That's the functional reason people work. But how else will you be compensated? What about the emotional rewards that are worth far more to most people than dollars and cents? Wouldn't you stay at a job longer because of intangibles such as long-term opportunities, the belief that you are building something important, or the feeling that you have a seat at the table? Are you more motivated by pride (seeing your name on the brass plaque) or by gratitude (hearing a customer say "thank you")? By problem solving or by praise? You can't go after the rewards that matter to you—or properly reward your colleagues—if you don't first know what those rewards are.

This is probably a good time to answer that lingering question my friend, my husband, and probably you, had: *why did you walk away from Wall Street?* Knowing that work does a functional and emotional job, the logic becomes clear. I was at a point where I could continue to hire Merrill Lynch to pay the bills, but I could no longer hire it for the emotional rewards. Not only had I reached the top of a learning curve with no prospects for jumping to a new one because management liked me 'right where I was,' I discovered that notwithstanding performance metrics that were 20% better than my peers, we all received the same bonus. The emotional cost of staying had become too high when I could no longer bring my dreams to work.¹⁰

Nature Favors Risk Takers

Starting something new means taking a risk. But in our society, the word “risk” has assumed mostly negative connotations. When someone tells us “that’s risky,” most of us have a visceral, fearful reaction. But Mother Nature seems to have built a loophole into our sense of well-being, because embedded somewhere within the human genetic makeup is an inclination to take risks.

Of course, in order for evolution and natural selection to favor risk-taking as a behavior there has to be a benefit, and that benefit has to outweigh the outcome of doing nothing. Many examples from the animal kingdom support this hypothesis. According to research by Dr. Lee Alan Dugatkin, who was trying to understand a continuum of risk-taking, fish willing to take risks were likely to mate better.¹¹

Guppies, for example, engage in what is known as predator inspection behavior. Predator inspection is akin to guard duty. A few fish break away from the group and slowly approach the predator to obtain information. In taking risks in the presence of a predator, a guppy is more likely to get eaten, but a male guppy that takes this risk is more attractive as a mate to females.¹² The bolder guppies are also better at learning.

Fortune may favor the brave guppy, but what if you aren’t a risk-taker by nature? According to psychologists Tory Higgins and Heidi Grant Halvorson, people

can be divided into two personality categories: those who are promotion focused and those who are prevention focused.¹³ Those whose motivation is promotion focused are comfortable taking chances, like to work quickly, dream big, and think creatively: they are natural risk-takers, focused on maximizing gain. In contrast, people who are prevention focused tend to concentrate on staying safe, work slowly and meticulously, worry what might go wrong if they aren't careful enough, and focus on preserving what they have.

So for the risk averse who are trying to convince themselves to try something new, the trick is not to focus on what will be gained by venturing forth, but to instead focus on what might be lost by standing still. For example, if I'm a really prevention-focused person thinking about asking for a promotion, I shouldn't try to psych myself up for it by imagining all the accolades I might win or the new projects I might take on. I should focus on what I might miss out on—the great projects I might not get assigned to, or the money I'm leaving on the table.

Identify the Right Risks

As you gear yourself up to take risks, it's also important to distinguish between *competitive* risk and *market* risk.

Competitive. If a colleague comes to you, and says, "The opportunity for this product is huge and I've

got the projections to prove it,” it’s quite likely that a competing company or individual has scoped out the opportunity. There’s probably already a kingpin. It’s not you. You can be confident there will be customers for your product or service, but you have to assess whether you can compete and win. This is competitive risk.

Market. If instead your colleague says, “I don’t know if there’s a market, but I think there’s a need not being met,” you are looking at market risk. You have no idea if there will be customers for your product or idea, so a forecast of what you might earn in the future is fiction. However, if you can find customers who want to hire your product, as the first mover you are favored to own the market.

Because our brains make a mountain out of a molehill of uncertainty, we tend to prefer competitive risk because it *feels* more secure. But the empirical evidence says that market risk is less risky than competitive risk.¹⁴

The classic example is Clayton Christensen’s analysis of the disk drive industry. He divided the eighty-plus firms that entered the disk drive industry from 1976 to 1993 into two major categories: firms that sought growth through a disruptive strategy, introducing a new product and creating a market for that product (market risk), and companies that pursued growth with proven technologies in established markets (competitive risk). Of the fifty-two firms that

entered established markets, only three (6 percent) ever reached \$100 million in revenue. In contrast, of the thirty-two firms that entered a market that was less than two years old, twelve (37 percent) surpassed \$100 million in revenue. In addition, the firms that created new markets logged \$62 billion in accumulated revenue between 1976 and 1994, compared with \$3.3 billion for those that moved into established markets. Based on this research, when you take on market versus competitive risk, the odds of success are six times (37 percent versus 6 percent) higher and the revenue opportunity twenty times greater.¹⁵

Another hack for helping your brain reconsider market risk is to take a look at stock market valuations. In analyzing forty companies that were identified as disruptive (i.e., took on market risk) in the ten years after they went public, the average price/earnings multiple for these stocks was 30x, or double that of the broader market. Because this basket of stocks initially looked overvalued, one could understandably argue that competitive risk is a safer bet. However, when the high price of these disruptors was compared to their much higher growth rate, these stocks didn't look so pricey. Relative to companies that were taking on competitive risk these disruptors looked expensive, but relative to their own growth rate (which was initially underestimated because the market had yet to be created) the stocks were actually a bargain.¹⁶ In other words, market risk is the right kind of risk when you're looking for a new learning curve to scale.

Here's another way to think about it. When I evaluate an investment, one of the first questions I ask is: "Is this company flying under the radar?" Meaning, is it unattractive enough that competitors have no incentive to either co-opt it or gun it down? It's better to be treated as a paper airplane than a fighter jet. When you are disrupting, the best possible start-up scenario is to be dismissed, even ignored, just as Blockbuster ignored Netflix—right up until Blockbuster was "netflixed."¹⁷

Southern New Hampshire University (SNHU) is a good example of an organization that took on fly-under-the-radar market risk.¹⁸ A decade ago, SNHU was a two-thousand-student college with declining enrollment. Instead of trying to increase enrollment by competing for Ivy League-caliber professors at the high end or with government-funded community colleges at the low end, the university chose to play where no one else was playing—online. There was no guarantee that students would be interested in online degree programs. But because SNHU took on market risk, playing where no one else was playing, and there were many students looking for the flexibility provided by online courses, it is now considered the Amazon of education, with thirty-four thousand students enrolled. SNHU is in the process of jumping to yet another growth curve to decrease the cost of a college degree by measuring competencies rather than credits. One student demonstrated all

120 competencies in one hundred days. His associate's degree cost a grand total of \$1,250.

A good example of taking on market risk in personal, career terms is Amy Jo Martin, founder of Digital Royalty. In 2008, of the hundreds of millions of dollars being spent on advertising and publicity by the NBA, very little was allocated to social media. Martin saw an unmet need, and leveraged her expertise to persuade the Phoenix Suns to hire her as director of digital media, a first-of-its-kind position within the NBA. Martin's clients have included Shaquille O'Neal, and she has more than a million Twitter followers. Her gig sounds fantastically fun, but at the outset people wondered if it was even a job.

Avoid the Wrong Risks

In 1996, when I was working for Smith Barney, I moved from banking to equity research, having been hired to cover the cement and construction sector in Latin America. Within weeks of my move, Smith Barney bought Salomon Brothers, and Salomon Brothers already had a highly regarded *Institutional Investor*-ranked analyst in cement and construction. Rather than knocking on a door that was closed, I opened a window: there were a number of media companies going public with no analyst to follow them, so I volunteered for that beat. Rather than trying to outcompete the incumbent construction analyst, I took on

market risk, as disruption theory would dictate. Of course, it was a lot messier and more painful than the narrative makes it sound, but within a year I also was an *Institutional Investor*-ranked analyst. By venturing into an unmarked market with few competitors, I was able to scale this new curve quickly.

A classic mistake made during venture capital booms is to fund start-ups that have good ideas but no staying power because an established player will have the incentive to co-opt the idea and squash the up-and-comer like a bug. TiVo, for example, was co-opted by cable and telecom companies that poured millions of dollars into embedding digital video recorders into their set-top boxes, making TiVo hardware redundant. TomTom GPS was a great idea until GPS functionality was built into smartphones. These brilliant new ideas became services that are now broadly offered, but the firms that started developing them have ceased to exist as independent entities. Competitive risk cancelled their climb up the S-curve of disruption.

Here's what that this scenario can look like for an individual: one firm I've consulted with had hired a new portfolio manager to make investment decisions for the firm. There was a senior person on staff who thought that was *his* job. To succeed, the new hire needed the senior staffer to cooperate. But the senior staffer saw the new hire as an interloper. It turned into a game of chicken. The senior staffer was eventually let go, but the new hire suffered a huge loss of political

capital early on as he competed with an established employee to accomplish the same job.

Brain science also supports market risk over competitive risk. The stressed out, “on-guard” or fearful state of mind associated with competition wears down our cognitive functioning over time. When you compete, it’s as if you are going into battle. Your sympathetic nervous system mobilizes the body for a fight-or-flight response, activating the hypothalamus, stimulating the pituitary gland, and releasing cortisol. Your body likes the cortisol initially. This is why studies have found that soldiers in combat are more effective their first month on the front lines. But as that cortisol rush levels off, cognitive functioning deteriorates. Judgment, memory, and even the immune system all decline, while irritability, depression, moodiness, and gastrointestinal ailments increase.¹⁹

Taking a market risk involves a much healthier mental state. In my own experience, even though I crave certainty and the control of a focused task to complete, moving into terra incognita feels better. It is restorative, both emotionally and physically. A study done by Kennon M. Sheldon and colleagues suggests that opportunities for self-expression—for example, creativity—may increase feelings of agreeableness, conscientiousness and openness, leading people to act more responsibly, cooperatively, receptively, and cheerfully.²⁰ While we perceive a new-fangled idea as more risky than an established one, what happens in our brains tells us otherwise.

Identify a Job No One Else Can Do

For real staying power, it's important to specialize in such a way that there is no one else doing the job.²¹ A few summers ago, my friend's eleven-year-old triplets wanted to earn some money. They set up a lemonade stand. Instead of setting up in front of the house, like kids usually do, they set up next to a high school football field after practice on a hot summer day. There was no guarantee there would be a market for the lemonade at the football field. But there was no competition either. If there were customers, the entire market was going to be theirs for the taking. It was. These eleven-year-olds earned \$75 in about twenty minutes.

You'll know you're dealing with market risk when you realize there is no one else doing a job that needs to be done. Rachael Chong saw social good organizations recruiting skilled volunteers but then doing little except asking them to give money or directing them to do mind-numbing tasks like stuffing envelopes. Chong came up with a plan to templatize the various functions of a nonprofit so that professionals could actually donate their expertise, not just their time and money. A marketer may help a nonprofit rebrand its website, while an HR person helps a social enterprise set up a time-off policy. In just five years, Chong's company, Catchafire, had more than five thousand social good organizations as clients, more than twenty thousand skilled volunteers, and was one of the largest talent providers for nonprofits in the world.

When you make the decision to start something new, first figure out the jobs you want to do. Then position yourself to play where no one else is playing. Despite our love affair with the certainty of competitive risk, the natural world, business research, and brain science all tell us that trying something new is less risky and ultimately more satisfying. It's the difference between a friends-and-family lemonade stand that earns a few dollars and one that takes in multiples of that—because customers are truly thirsty for what you know how to do, and because you're the only one serving it up.