

# THE DONALD COOPER CORPORATION

Speaking and coaching internationally on management, marketing and profitability



## Management tool #A-5: ©

**‘Disruption & innovation’:** What or who might disrupt our industry, our market, or our business in the next 3-5-10 years? Will we be the innovative disruptor...or will we be the victim of disruption?

Every industry, including ours, is being transformed and disrupted by exponential changes in technology, innovative new business models, lower priced competitors, global economics, power struggles between nations, national or regional regulations, Global, national or regional protests or movements, a global pandemic and, sometimes, by fundamental changes in societal values. Some business models and industries are being severely curtailed or completely replaced by these disruptive changes. Either we'll be the disruptor in our market or industry, or we'll eventually be put out of business by those who are.

So, exactly what is ‘disruption’? According to Webster’s dictionary, ‘disruption’ is the process of interrupting the normal progress or activity of something. In business terms, ‘disruption’ is anything that makes doing business the same old way unproductive, irrelevant and unprofitable. Actually, ‘disruption’ is the currently fashionable word for ‘change’.

When it comes to innovative and disruptive change, there are only 3 positions open and available...

- a) We can be the ‘architect’ of change,
- b) We can embrace the change created by others...or,
- c) We can be the victim of change.

### **Disruption can cripple your business, or it can be the incubator of opportunity.**

To help us understand disruption on a whole new level, we have identified 12 different types of disruption.

As we work through this insightful Tool, we'll see that many of the different types of ‘disruption’ discussed on the following pages are inter-connected. For, example, starting about 100 years ago, the technology of the internal combustion engine, along with the development of efficient farm machinery, plus the genetic selection and manipulation of seed and the creation of effective fertilizers and crop protection products, resulted in the production of abundant food with very little labor. This led to a massive migration of workers from the farm to cities where new technologies, inventions and machines were facilitating the production of thousands of new products and creating new, well-paid jobs.

The development of the elevator made buildings over 4 storeys practical and the technologies of large-scale water and sewage treatment, made possible the concentration of a large population to live and work in cities. All of these inter-connected disruptive technologies, inventions and societal changes led to the urbanization of the western world and the creation of a comfortable middle class.

On the following pages we will explore 12 types of disruption and how they may affect what we do, how we do it and where we do it, over the next 3-5-10 years...and whether we will be the ‘disruptor, or be disrupted by the innovation of others, or by political, social, economic or natural disruption over which we have little or no control. Put on your imaginary ‘see-ahadascope’ and start the process!

**Note:** The most effective way to use this important Tool is to study and discuss it with a small group of the best minds and most forward thinkers in your business. To do this properly will likely take about 4 hours, spread out over as many sessions as you think will be most productive. Then, there will likely be follow-up sessions after that. If you're the Team Leader, it will be important for you to read through the entire Biz Tool in advance and make notes of your thoughts in preparation for the more general discussion.

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## #1: Disruptive technologies:

### A few past and present examples:

- the wheel and axel,
- gunpowder,
- printing press and movable type,
- steam engine,
- the generation and transmission of electricity,
- the light bulb,
- the internal combustion engine,
- the jet engine,
- anesthesia, vaccines, surgical robots,
- plastics, graphene and other man-made materials,
- seed selection and manipulation,
- transistors, the chip,
- digitization,
- the internet...now the internet of things,
- wireless technology, smart phones,
- nano-technology,
- 3D printing,
- Robotics,
- the PBR on your TV set has profound implications for advertisers,
- artificial intelligence,
- 5 G

What bold new **technologies** of raw material, production, systems, process, transportation / logistics, communication or business management might disrupt any part of our industry, market or business over the next 3-5-10 years? From where might they come and what will our strategy be? What challenges and opportunities might they bring? Will we be a technology leader, a quick and nimble follower...or a victim of these disruptive technologies?

**Questions, notes and things to look into. For each decision that is made, what action will be taken, by whom, by when, at what cost, with what outcomes, measured how?** (Create additional pages if we need more space for notes)

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## #2: Disruptive inventions, products or services:

From disruptive technologies come a flood of disruptive inventions, products and services.

### A few past and present examples:

- weapons,
- the wheel...wagons....steam engine,
- the camera,
- the automobile...then hybrid, electric & driverless cars,
- refrigeration,
- the telephone,
- aircraft,
- the elevator,
- the birth control pill,
- radio, TV then PBR & streaming services,
- computers...then laptops,
- digital cameras,
- cell phones, smart phones, mobile computers,
- the K-cup coffee machine,
- on-line dating, porn, gambling & travel sites,
- apps of all kinds,
- Uber, Airbnb and other 'sharing' sites,
- Direct-to-consumer internet sales of thousands of products and services.

What bold, innovative **products or services** might disrupt any part of our industry, market or business over the next 3-5-10 years? From where might they come and what will our strategy be? What challenges and opportunities might they bring? Will we be a product or service innovation leader, a quick and nimble follower...or a victim?

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## #3: Disruptive discoveries:

The discovery of large deposits of natural resources, breakthrough scientific insight, or other discoveries that are 'game changers' in their area of study, industry or market.

### A few past examples:

- The discovery of copper, iron and glass profoundly affected the ascent of mankind.
- The discovery that the earth is round certainly disrupted the prevailing wisdom and created a whole new approach to voyages of discovery, trade, conquest, colonization and the demise of indigenous cultures.
- Discovering oil in Alberta in the 1940s shifted the economic growth and power in western Canada from Winnipeg to the Province of Alberta.
- The discovery of gold in California in 1848 brought 80,000 people to the west coast in just one year and started the move of the California Territory to Statehood.
- The discovery of anesthetic, X Rays, penicillin, insulin and vaccines.
- Cracking the genetic code.

What transformational **discoveries** might disrupt any part of our industry, market or business over the next 3-5-10 years? From where might they come and what will our strategy be? What challenges and opportunities might they bring? Will we be a 'discovery' innovation leader, a quick and nimble follower...or a victim?

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## #4: Disruptive business models:

### A few examples of disruptive business models:

- Ford Motor Company in 1908. Rather than building cars one at a time by hand that only rich people could afford, Ford designed, engineered and produced cars on an assembly line to deliver large quantities of vehicles at a price that most people could afford, while paying workers a decent wage. Then, Ford created a Dealer network to sell vehicles nation-wide. By 1920 Ford had 50% market share. The automobile fundamentally changed society.
- Companies going 'global', using their powerful brands and vast resources to dominate markets. This has led to the consolidation and globalization of the Ad Agencies, Accounting and Law Firms that served them.
- Franchising is a business model that has enabled many companies to expand quickly and effectively.
- Costco has disrupted retail with paid membership, low overhead, higher staff wages, high volume and low prices on a limited selection of a wide variety of products from tires, to rotisserie chickens, to caskets. They spend no money on advertising.
- Internet-based business models like Amazon.com, Alibaba, Tiredack.com and Expedia have disrupted how thousands of products and services are sold and created an existential crises in 'brick & mortar' retail.

What bold, innovative **business models** might disrupt any part of our industry, market or business over the next 3-5-10 years? From where might they come and what will our strategy be? What challenges and opportunities might they bring? Will we be a business model innovation leader, a quick and nimble follower...or a victim?

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## #5: Disruptive processes:

These are disruptive innovations in how products and services are designed, created or produced that increase efficiency and improve quality and/or the customer experience.

### A few past and present examples of disruptive processes:

- the factory – people going to a large central location to produce products more efficiently,
- the assembly line,
- production machinery, including farm machinery,
- CAD/CAM...3-D modeling,
- remote collaborative design and development,
- robotics,
- 3D printing,
- fracking,
- lean processes,

What bold, innovative **processes** might disrupt any part of our industry, market or business over the next 3-5-10 years? From where might they come and what will our strategy be? What challenges and opportunities might they bring? Will we be a process innovation leader, a quick and nimble follower...or a victim?

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## #6: Disruptive pricing:

Innovative business models, technologies, and production and operational processes have allowed some businesses to sell at prices that have disrupted entire markets and industries.

Also, lower-wage countries like China, India, Vietnam and Mexico have created price disruption that has decimated entire industries and communities in the western world. The illegal 'dumping' of products has also disrupted prices and fair competition.

### A few past and present examples of disruptive pricing:

- Ford Motor Company combined design, engineering, machinery and the moving assembly to reduce the price of automobiles by 80%.
- Costco mandates a maximum markup of 15% on the products it sells, when typical retail markups are much higher.
- Wal-Mart has become the world's largest retailer and put tens of thousands of less efficient retailers out of business with their low pricing.
- In 2014 OPEC, led by Saudi Arabia manipulated the supply of oil, lowering the price to \$40 - \$50 per barrel in order to drive out of business less cost-effective producers such as the shale guys in the USA.
- manufacturing 2.0, where production machines 'communicate' with and monitor each other.

What bold, innovative or illegal and predatory **pricing** might disrupt any part of our industry, market or business over the next 3-5-10 years? From where might they come and what will our strategy be? What challenges and opportunities might they bring? Will we be a pricing innovation leader, a quick and nimble follower...or a victim?

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### #7: Disruptive marketing:

**Bold new marketing initiatives can disrupt markets and entire industries. Sometimes disruptive marketing can be a specific marketing campaign, like the ‘Pepsi Challenge’ and sometimes it can be a complete new business model like Avon’s direct marketing through thousands of local reps, rather than selling through regular retail outlets.**

#### **A few past and present examples of disruptive marketing:**

- Avon’s direct marketing through thousands of local reps started in 1886. Avon provided an opportunity for women to earn their own money at a time when few women worked outside the home. It connected and elevated women, who were otherwise isolated and immersed in domestic life.
- The ‘Pepsi Challenge’. Starting in 1975, TV commercials and live events in which blindfolded consumers were asked to choose between Pepsi and Coke. Most chose Pepsi...and sales increased considerably. It was the first campaign that compared one brand directly, by name, to its competitor.
- The iconic Marlboro Man advertising campaign transformed a cigarette brand targeted to women into the world’s #1 cigarette brand...for men.
- Internet marketing / online shopping has transformed how people shop and has disrupted many industries.
- Manufacturers become retailers, either on-line or through ‘bricks & mortar’ locations.
- Social media disrupts marketing by giving consumers the power to go viral in praising or trashing brands in minutes. Like it or not, consumers are now your ‘brand partners’.

What bold, innovative **marketing initiatives** might disrupt any part of our industry, market or business over the next 3-5-10 years? From where might they come and what will our strategy be? What challenges and opportunities might they bring? Will we be a marketing innovation leader, a quick and nimble follower...or a victim?

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### #8: Disruptive changes in society, demographics and cultural values:

Changes in society, demographics and cultural values disrupts a number of markets and industries.

#### A few past and present examples of disruptive changes in society and values:

- Cremation is now 65% of the end-of-life disposition in North America with a 'Celebration of Life' gathering at a Golf Club or favourite pub. This has had a major impact on the funeral home and cemetery business.
- The aging population disrupts some industries and creates new opportunities for many others.
- Competitive and time pressures in business and a desire to be a more involved spouse and parent hurts some leisure industries, like the golf industry, for example...and helps other industries.
- Changing attitudes and values about the environment, fairness and the use of resources creates many challenging disruptions and opportunities regarding how and where we live and work. The 'sharing economy' is a part of this as seen in Uber, Airbnb, Zipcar and LendingClub, an online borrowing 'club'.

What changes and trends in **society, demographics and cultural values** might disrupt any part of our industry, market or business over the next 3-5-10 years? From where might they come and what will our strategy be? What challenges and opportunities might they bring? Will we be a leader, a quick and nimble follower...or a victim of changing values and demographics?

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## #9: Political disruption:

Changes in political party or philosophy that result in disruptive legislation, taxation or enforcement.

**A few past and present examples of political disruption:**

- changes in taxation,
- trade agreements...changes in duties, quotas, subsidies or export financing,
- environmental legislation,
- aboriginal treaties,
- anti-business sentiment or legislation,
- changes in military spending,
- warfare, threat of warfare, or military adventurism,
- immigration policy,
- social programs...minimum wage, health care,
- legislation re foreign investment in domestic companies,
- government 'red tape', gridlock and ineffectiveness,
- political corruption and criminality.

What changes and trends in **political party, philosophy, legislation or treaty** at home or abroad, might disrupt our industry, market or business over the next 3-5-10 years? From where might they come and what will our strategy be? What challenges and opportunities might they bring? Will we be an innovative leader, a quick and nimble follower...or a victim of political disruption?

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### #10: Economic disruption:

There will always be economic cycles with boom times and bad times. Economic disruption can be defined as changes in the local, regional, national or global economy. These economic disruptions can come in the form of an economy taking off, resulting in talent shortages, skyrocketing wages, scarce resources, inflation, high interest rates, high rents, or infrastructure that can't cope with the increased activity.

Or, economic disruption can come in the form of an economic slow-down that causes decreased demand for our products or services, unemployment, falling prices and lower margins, bankruptcies, government bailouts, personal hardship, mental health challenges and, in extreme cases, social unrest.

#### A few past and present examples of economic disruption:

- The Great Depression...1929 to 1939,
- The economic boom in Ft. Mac Murray....home of the Canadian Oil Sands caused wage rates to skyrocket in every other industry in Alberta.
- The global financial crisis of 2007 bankrupted many companies and triggered a global recession.
- The economic slowdown in China, starting in 2013, depressed prices for steel, copper, oil, coal and other natural resources, depressing the economies of several countries and thousands of businesses.

What local, regional, national or global **economic disruption**, either boom times or bad times, might affect our industry, market or business over the next 3-5-10 years? What challenges and opportunities might such an economic disruption bring? What cash 'cushion' must we create to allow us to survive an economic downturn? How might we cope with an economic boom or sudden increase in the demand for what we sell?

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## #11: Natural disruption:

Acts of nature, climate change, plague or loss of bio-diversity that could disrupt our industry, our market or our business...or how and where we live on this planet:

**A few past and present examples of natural disruption:**

- earth quakes, floods, tsunamis, hurricanes, tornadoes, forest fires,
- prolonged drought,
- climate change,
- disease, pestilence, plague (Covid-19, 2020 -2021),
- loss of bio-diversity.

What **natural disruptions** might affect any part of our industry, market or business over the next 3-5-10 years? From where might they come and what will our strategy be? What challenges and opportunities might they bring? Will we be a innovation leader, a quick and nimble follower...or a victim?

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## #12: Criminal, terrorist, racial or religious disruption:

**Widespread, organized criminal, terrorist, racial or religious disruption that oppresses, disrupts and corrupts the process of doing business and, usually, destroys lives.**

**A few well-known examples of criminal, terrorist or religious disruption:**

- the Spanish Inquisition
- the Holocaust,
- the Mafia,
- the Russian mob.
- the Mexican cartels,
- Asian gangs,
- the Taliban,
- Somali pirates,
- ISIS,

What **criminal, terrorist, racial or religious disruption** might affect any part of your industry, market or business over the next 3-5-10 years? From where might they come and what will your strategy be? What challenges and opportunities might they bring? What will you do to prevent or mitigate these risks?

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### In Conclusion...some important questions?

Now that we have a clearer understanding of the future and what will or might disrupt our industry and our current market, here are a few important questions to answer frankly:

1. Are we as business leaders passionate about and committed to 'relentless improvement'? Do we have the energy, drive and ability to lead this business to where it must be to be a profitable and sustainable entity in 3-5-10 years?

If, not what leadership changes must we have the wisdom and courage to consider?

2. Are we as a business well equipped and staffed to deal with the future challenges and opportunities ahead of us in 3-5-10 years? Do we have a strong 'Talent Pipeline'? (See Biz Tool #A-17) What skills, insights and experience do we need to add to our business? Will this come through staff development or outside recruitment...or a combination of both?

3. One of the major disruptions in many industries is 'industry consolidation'. Big companies buying out their smaller competitors. If our industry is consolidating, we have a choice of 4 strategies:

- a) be a buyer,
- b) be a seller,
- c) find a small and profitable niche market that the 'big guy' can't or won't serve,
- d) do nothing and slowly become irrelevant and fade away.

What will our strategy be?

4. As we look through our imaginary 'See-aheadascope', will our industry or market be a financially and emotionally healthy place to be in 3-5-10 years? If not, is this a good time to get out of the market or industry that we're in?

#### Note from Donald C:

**The importance of 'Wise Investor Thinking':** Most business owners think of themselves as being in a particular industry or geographic market, good or bad, rather than thinking of themselves as investors who are currently invested in a particular industry or market, but open to other investment possibilities.

I've had many clients with a ton of money tied up in businesses with a mediocre return, little or no growth, serious disruption on the horizon for which they're not prepared...and it stopped being fun years ago. Or, the business has become their 'neat fort' where they go every day to feel safe, comfortable and in control and they no longer see it as an investment to be optimized. By helping these clients develop 'wise Investor thinking', they start seeing more prudent investment possibilities and diversified risk management strategies.