# Innovation vs *disruptive technology*


**MICHAEL FERENDINOS**
enterprise risk business unit head at Aon South Africa

**TERENCE SINGH**
director at Ruhi Consulting


Disruptive technologies and innovation have been added as new risks in Aon's *2017 Global Risk Management Survey*, now ranking at number 20. It is predicted to make Aon's list of *Top 10 Global Risks* by 2020.

Organisations are operating in an era of unprecedented volatility. Traditional uncertainties that unfold relatively slowly, such as uneven and sluggish economic growth, changing demographics, rising inequality and geopolitical tensions, are being combined with the rapid pace of changes in technology. This convergence has created a challenging new reality for organisations regardless of industry or location.

The term 'disruptive technology' was coined by Harvard Professor Clayton Christensen who categorised technologies as "sustaining" and "disruptive". While the former produces incremental improvements in the performance of established products, Christensen said the latter "tends to reach new markets, enabling their producers to grow rapidly, and with technological improvements to eat away at the market shares of the leading vendors".

Reports by the World Economic Forum and the McKinsey Global Institute identified around 12 technologies – such as advanced robotics, energy storage, 3D printing and the Internet of Things – that could drive truly massive economic transformations and disruptions in the coming years. This development is not about doom and gloom. In fact, organisations are becoming increasingly innovative in their response to disruptive technologies since these are creating opportunities that were inconceivable in the recent past. It is critical that organisational leaders understand which technologies will matter to them and prepare accordingly.

Aon's Enterprise Risk Management (ERM) Centre of Excellence asked Terence Singh, director of Ruhi Consulting, to demonstrate how organisations can prepare for and respond to disruptive innovation.

## Terence Singh, director at Ruhi Consulting

**Why do entire industries miss innovations that disrupt their business, while others seem to create it?**

Disruption is becoming commonplace; everyone or everything, somewhere, is being disrupted. Uber is the poster child for disruption and every new venture seems to be claiming that they are 'Uberising' some aspect of their industry or business, whether it be education, health, retail or hospitality. The irony is that the person who invented the term "disruptive innovation" does not believe that Uber is disruptive, but that's a story for another day.

IT IS CRITICAL THAT ORGANISATIONAL LEADERS UNDERSTAND WHICH TECHNOLOGIES WILL MATTER TO THEM AND PREPARE ACCORDINGLY.

Given the market dominance of many players across diverse industries, how is it that they have become targets for disruption? How did they not see it coming, given that they have access to the best technologies, talent and budgets and they have at their disposal strategy planning teams and consultants pitching to them all the time?

How is it that the taxi industry did not create Uber? Why didn't the hospitality industry create Airbnb and why didn't the film entertainment industry create Netflix? The common refrain is: they couldn't because they were stuck in their current models of thinking of how their industry should work or they were simply too big to be agile.

Yet there are other companies that seem to be on the cutting-edge of technology continually. Think Apple, Google, Samsung and Toyota. These are among the largest companies in the world that are continually voted as being the most innovative in their industry.

**How is this so and how can businesses prepare to harness the power of disruption? There are three key steps:**

**The first** requires a change of mindset and the acknowledgement that we do not know it all. In fact, we can't know it all. There is just too much out there. Therefore, we must continually look for innovations and better ways to do things through collaborations and partnerships with universities, think tanks, start-ups and so on.

**The second** is to implement a robust innovation system and to not simply pay lip service to how innovative your company is. Do you have a formal process for ideation and is there a rigorous process for evaluation, feedback and development? Innovation is too important to be left to chance.

**The third step** is to recognise that there are others who can develop innovations better than you can. Microsoft did not develop PowerPoint, it bought the company that did and over 200 other companies. Buying technology and innovation is not an admission of failure, but rather an understanding that each critical, new idea may arise differently from a different source that may very well be outside of your business, and even your industry.

In a world of emerging and converging technologies, innovation is fast rising to the top of the agenda, as it should be. It is crucial to have a clear understanding of how to manage innovation so that there is less focus on it being a threat and rather having the vision to optimise the opportunities that disruptive innovation presents.