

### The word is ‘disruption’

The word is ‘disruption’ – something that is happening now in almost every industry and across every nation. There appear to be few, if any, barriers or borders to disruption. It has happened to me, and if it hasn’t yet happened to you, chances are that it soon will. Throughout my adult working life, I have both contributed to the disruption of a number of workforces, and I have also been on the receiving end of disruption. On more than one occasion, both were happening at the same time – I was supporting the disruption that eventually disrupted me!

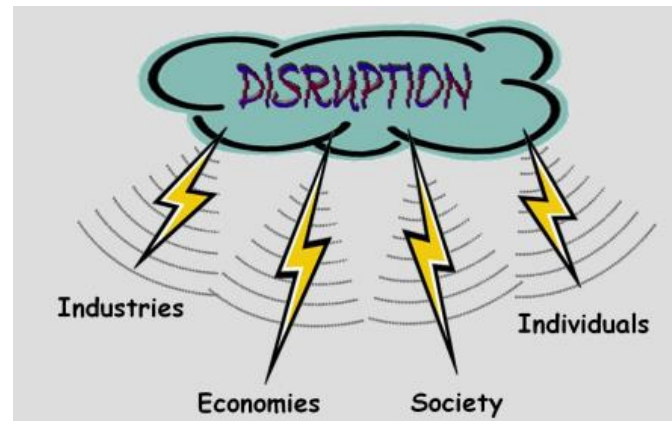
According to the ‘experts’, disruption occurs when something new (an ‘innovation’) arrives and it dramatically changes the way that an industry or a market works. The recognised ‘guru’ of disruption is Harvard Professor (Business Administration) Clayton Christensen, who identified “disruptive innovation” in the mid-1990s. One of his examples was the personal computer. From its rather low-key arrival in the late 1970s, within 10 years the PC had disrupted the minicomputer industry. Within another 10 years this industry was totally decimated; meanwhile, having taken over in the workplace, the PC was fast becoming a household item.

### Progress, and the pace of change

Disruption is also about ‘progress’ – it is what humans do, and have done, for eons (or aeons). We have a habit of inventing things that change the way society behaves, e.g. the wheel, the sailing ship, the printing press, the steam engine, the telephone, the refrigerator, the motor car, the radio, the airplane, the microchip, the internet. Sometimes, inventions may not cause a wide-scale disruption across society, but they do still bring radical change to a whole industry, e.g. the digital camera (which is now being disrupted by the smartphone – which, in conjunction

with social media, has led to dramatic changes in consumer photography).

However, while it used to be the case that the disrupting innovation would take time to become established before it eventually redefined the industry (e.g. the PC), more recently this timeline has become considerably accelerated. Devices such as Apple’s iPhone (2007) and iPad (2010) each brought almost immediate disruption to the mobile phone and portable computer markets. The key reason for this acceleration is the availability of new digital technologies, which enable the innovation to expand rapidly within its market. This has given rise to the term ‘digital disruption’ (sometimes called ‘big bang disruption’).



There appear to be few, if any, barriers or borders to disruption. It used to take years for disruptive innovations to dominate a market and destabilise incumbent industries and products; now the disruption can occur virtually overnight.

### Which industries are vulnerable?

Within the business community there is a growing sense that disruption cannot be avoided. Indeed, since Christensen first highlighted the phenomenon of the “disruptive innovation”, a number of multinational companies involved in market research and management consulting have made

frequent contributions to the discussion. [Forrester Research](#), [Deloitte](#), [Accenture](#), [McKinsey](#) (and others) have each produced reports about disruption. In most cases, these companies also market their services to help organisations cope with disruption.

In regard to Australia, Deloitte has identified [12 industries](#) that are particularly susceptible to disruption. These industries, which together make up 65% of the Australian economy, have been classified as either “short fuse, big bang” (ICT and media, retail, finance, business and professional services, arts and recreation, real estate), or “long fuse, big bang” (government services, health, education, utilities, transport and post, agriculture). It is arguable that this scenario is applicable to many, if not most, modern economies.

Even government bureaucrats such as Reserve Bank Australia’s CIO, Sarv Girn, have joined the disruption chorus. In a recent speech, Girn challenged executives to “[confront disruption, or face extinction](#)”. He also noted: “Digital disruption brings many opportunities for innovation and productivity outputs”. Ironically, Girn’s comments came at about the same time as it had been revealed that Australian government departments were [quietly ‘off-shoring’ parts of their operations](#) to India and the Philippines (Health Department, Tax Office).

### Disruption has a ‘dark side’

While disruption is viewed by many as being inevitable, a colleague of Christensen has recently challenged the validity of his theory. Harvard Professor (History) [Jill Lepore argues](#) that the theory of disruption has wrongly been given the virtual status of a ‘law of nature’. Her bottom line is that “disruptive innovation” is nothing more than a theory about why businesses fail. Along the way, she also notes that there are social consequences from

disruption – e.g. a disruption ‘decision’ for an industry or a company can become a social disaster, leaving workforces jobless and communities reeling (i.e. the financial services industry and the GFC of 2008).

[According to Christensen](#): “It’s important to remember that disruption is a positive force. Disruptive innovations ... make products and services more accessible and affordable, thereby making them available to a much larger population.” He also says (in regard to the disruption of the minicomputer industry): “This created a huge new market and ultimately eliminated the existing industry.” Christensen’s view of disruption seems to be somewhat ‘one sided’ (perhaps understandably). Even though he acknowledges that an industry can be “eliminated” – he sees only the positive, and apparently ignores the ‘dark side’ of this force.

### Social consequences of disruption

Many parts of the world are now experiencing various disruptions as the result of globalisation; many of these globalisation innovations have been enabled by new (disruptive) technologies. As multinational companies relocate their supply chains, developing nations now increasingly produce high-value goods that were once exclusively the products of developed economies. At the same time, other developing nations are offering less costly alternatives for a range of skilled and semi-skilled services (e.g. Australian government departments ‘off shoring’ parts of their operations to India and the Philippines).

However, these (globalisation) innovations invariably impact more than just their parent industries, as there are flow-on effects that can affect the prices of goods and services, job patterns, and wages, in both the ‘winning’ (i.e. developing) and ‘losing’ (i.e. developed) nations. In turn, this can bring changes to the structure of national economies, resulting in even further flow-on effects, such as a

redistribution of employment opportunities and incomes. Disruption to an industry, or even to a major company, can result in considerable social turmoil within affected communities, creating pressures for local politicians.

### Disruption will change our jobs

A [2013 Oxford University study](#) of 702 occupations found that about 47% of total US employment was at risk from computerisation (i.e. disruption) over the next two decades. The study showed that occupations involving relationships or emotions (e.g. training, coaching, counselling), creativity (e.g. arts and design), along with jobs that require high levels of education, and offer high salaries (e.g. specialist health professionals) are less likely to be candidates for automation. It is apparent that any occupation that is highly routine can (and will) be automated.

In January 2014 [The Economist](#) noted: “Over the past 30 years the digital revolution has displaced many of the mid-skill jobs that underpinned 20th-century middle-class life.” From a business point of view, automation will invariably be seen to be a sound economic practice. Since the GFC, many companies have chosen to increase their capacity by using technology, rather than hiring new staff. Alternately, new hires are being ‘off shored’, at cheaper rates. However, this may well prove to be a short-term arrangement; once cheaper technology options emerge, these ‘new’ workforces may also be disrupted.

### Preparing for disruption

Much of the media ‘news’ about disruption is directed towards its impact on business and commerce. However, imho, the likely ‘impacts’ of disruption must be considered in a more holistic context. A [Financial Times report](#) from the January 2014 Davos Economic Forum notes: “... many opportunities presented by digital disruption of companies and communities also carry with them complex political, economic and social risks.” The

consequences from the disruption of an industry or a company can have significant implications for national and local economies, and also for society in general.

Fallout of this nature will inevitably have a dislocating effect on many people, both inside the immediate disruption, and also on its fringes. The (above-mentioned) January 2014 Economist article also stated: “The main way in which governments can help their people through this dislocation is through education systems.” The challenge here is to provide education programs that will prepare people for the jobs of tomorrow – this applies as much to adults (who must ‘unlearn’ old ways) as it does to children. Achieving this will require vision, courage, and commitment on the part of education authorities.

As individuals, we may already be affected by disruption in our workplace or in our community. The more we know and understand about disruption – where and when it is occurring (or likely to occur), what manner of change it is likely to bring, and how that change might take place – the better we can prepare. For those of us who do find ourselves in an ‘at risk’ occupation, whether or not our industry (or company) is in the disruption ‘danger zone’ right now, we have a choice: either we can wait for it to happen, or else we can reinvent ourselves and claim our future.

### Worth a look

Our free nuggets for this Post are:

[Digital Disruption: Unleashing the Next Wave of Innovation](#) video [4min:57sec] by Forrester Research (Oct 2013)

[Digital Disruption - Short fuse, big bang?](#) video [3min:41sec] by Deloitte (Sep 2012)

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