How to Disrupt Without Being Disruptive:

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Competing in the Austin Technology Boom
Austin as an Innovation Hub
“Traditional companies execute a business model.”

Startups look for one!
Technology is Changing Corporate America

Average Company Lifespan on S&P Index in Years (rolling 7-year average)

- 60 yrs
- 17 yrs
- 10 yrs

Year (each data point represents a rolling 7-year average of average lifespan)

Data: Insights/Richard N. Foster/Standard & Poor’s
Disruption is often blamed...
But, what exactly is Disruption?

• Sort of a combination of Judo and Sun Tzu!

  Judo techniques enable a weaker or smaller person to overcome a larger and stronger person because they are based on scientific principles such as leverage and balance.

• Types of innovations:
  • Sustaining Innovation - improves existing product
  • Disruptive Innovation - creates new markets
Disruptive Innovation Model

Incumbents usually win

Performance that marketplace can absorb

Sustaining Innovations

Disruptive Innovations

New competitors usually win

Pace of innovation

Source: Adapted from Clayton Christensen
The Innovator’s Solution (HBS Press, 2003)
### Sustaining Innovation
- Problem is well understood
- Existing Market
- Innovation improves performance, lower cost, incremental changes
- Customer is believable
- Market is predictable
- Traditional business methods are sufficient

### Disruptive Innovation
- Problem not well understood
- New Market
- Innovation is dramatic and game changing
- Customer doesn’t know
- Market is unpredictable
- Traditional business methods fail
Traditional Assets are now “liabilities”
Disruption happens very quickly
Disruption happens very quickly
The 4\textsuperscript{th} Industrial Revolution

<table>
<thead>
<tr>
<th>Industrial Revolutions</th>
<th>1784</th>
<th>Mechanical Production</th>
<th>Steam, Water</th>
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<tr>
<td>1\textsuperscript{st}</td>
<td>1870</td>
<td>Mass Production</td>
<td>Electricity</td>
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<td>1969</td>
<td>Automated Production</td>
<td>IT, Electronics</td>
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<td>3\textsuperscript{rd}</td>
<td>2050</td>
<td>Cyber-Physical Systems</td>
<td>Physical + Digital + Biological</td>
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Source: Foreign Affairs - The Fourth Industrial Revolution by Klaus Schwab, and estimates
Emerging Disruptive Technologies
What got you here....

....won’t get you there!
Why do big companies have trouble innovating?

• **Trapped in their own P&L**
  • Expectations from analysts, investors and board

• **The law of big numbers**
  • Big companies must look for big markets – that’s too late!
  • Disruptors look for “hair on fire” needs

• **Good operational processes leads to innovation failures**
  • Plans, budgets, forecasts, metrics

• **Corporate culture doesn’t reward risk taking and failure**
Startups are just experiments... which often fail!

Disrupters tend to focus on getting the business model right – not just the product.
The new business plan: Lean Canvas
Ways to Respond to Disruptive Threats
Do Nothing

• There’s a 90% chance the startup will fail.

• But there’s a 10% chance you’ll be toast!
Defcon 1
Re-tool the value chain

- Focus on critical value-creating activities
Reengineer the org.

Innovation Killer Org Chart

CHIEF IDEA KILLER

VP OF NO
  - DIRECTOR OF ONEROUS REPORTING

VP OF STATUS QUO
  - DIRECTOR OF BUREAUCRACY

VP OF STAY THE COURSE
  - DIRECTOR OF RIGIDITY
  - DIRECTOR OF ANALYSIS PARALYSIS
    - MANAGER OF NEW GROWTH IDEAS
      - (VACANT)

GrowthCloud
Role of the Entrepreneur

Operations

Sales
Engage with Startups through Accelerators
“Jobs to be Done”...not products
“Jobs To Be Done” Theory

Even though customers buy this...

...they really want this.

Carbon Skateboard

Swiss Bearings

Titanium Hardware

Polyurethane Wheels

Hollow Trucks
THE INNOVATION PROCESS

- Define the Customer
- Define the Job-to-be-Done
- Uncover Customer Needs

- Discover Unmet Needs
- Find Segments of Opportunity

- Formulate the Innovation Strategy
- Conduct Competitive Analysis
- Size the Market Opportunity

- Formulate the Pricing Strategy
- Define the Solution
- Evaluate the Solution
- Position the Solution
Thank you!

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