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FEATURE

Disruptive jiu-jitsu

The foresight and courage to disrupt the disruptors

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Practicing disruptive jiu-jitsu—learning from the competition, then deliberately disrupting one's own business model to stay ahead of it—can enable CEOs to go on the offensive in the face of disruptive marketplace threats.

A DECADE AGO, THE first public blockchain was developed as a ledger for transactions of the cryptocurrency Bitcoin. But while Bitcoin made headlines for its rapid appreciation in value (and subsequent crash amid concerns around illegitimate use),[1] its real significance, the use of blockchain as a distributed verification mechanism, was more profound. By eliminating the need for transactions to be brokered by banks, blockchain had (and still has) the potential to disrupt the entire financial system—by rendering the traditional "financial institution as trusted broker" concept obsolete.

Aware of this possibility, some incumbent banks did something atypical for many large, established companies. Rather than attempt to protect themselves only through traditional defensive methods—such as improving their existing offerings' terms or underlying economics—they chose to embrace blockchain technology, focusing specifically on its ability to enable low-cost, high-speed transactions. By understanding the advantages of blockchain and determining how it could be integrated into their business model, these traditional banks were seeking to identify opportunities to enhance their own value proposition to customers. At the same time, they took aim at what is arguably cryptocurrency's key vulnerability: The natural anxiety among market participants that if their assets were to disappear due to a technical glitch or a cyberattack, there would be no one to reach out to for help.

A growing number of banks have now been experimenting with blockchain as an essential part of their global infrastructures while simultaneously chipping away at the principle of decentralized trust. (Witness, for instance, JP Morgan's unveiling of its own so-called cryptocurrency, the JPM Coin.)[2] They are reasserting their historic role as trusted brokers, promising, *We're here for you if you have a question or concern*. If they are successful—and the jury is still out on blockchain's long-term impact on banks and the extent to which it will disrupt traditional financial intermediaries—these incumbent banks might neutralize blockchain's most disruptive potential impact on their industry, even as they aim to capitalize on the technology's benefits.

In choosing to go on the offensive, seize new competitors' forward momentum, and turn that momentum against them, the CEOs of these legacy banks are practicing an approach that we call *disruptive jiu-jitsu*—one of the five attributes of the "undisruptable CEO" that we first wrote about in 2017.

Turning confrontation to one's advantage

True to its martial arts namesake, disruptive jiu-jitsu is at heart an aggressive art and discipline. It refers to a strategy in which CEOs scan external markets for evidence of new and unusual patterns of disruption, and then deconstruct those disruptive business models to consider how their components could be aligned with their own business and operating models. CEOs who wish to do this need the foresight to recognize an opposing force, the courage to harness its energy, and the will to forcefully redirect it. In so doing, they can exploit the adversary's own innovation to disrupt the disruptor.[3]

It is worth emphasizing that disruptive jiu-jitsu is, at heart, an offensive maneuver, *not* a defensive technique. As well, it is decidedly not a replacement for traditional (and incremental) defensive responses to a market threat, such as hiring more salespeople, increasing marketing spend, reducing costs, and making operations leaner. Rather, it is a necessary conjunct to such tactics, given the existential realities of both defense and offense in reaction to a business-killing innovation.

Why is disruptive jiu-jitsu such an important technique for CEOs to learn? Because today, incumbent organizations are facing disruptive threats more often than ever before. Rapid technological innovations in increasingly ecosystemic markets are raising the risk of disruption across all industry sectors. Technologies such as artificial intelligence, machine learning, analytics, robotic process automation, and blockchain present new ways to reach customers with products and services that promise to cost less while offering a tailored, convenient, and frictionless customer experience. In short, today's marketplace is rife with opportunities for competitors to build new business models that take advantage of technology—or even simply a confluence of technological, social, and economic trends—to disrupt established companies and even whole industries.[4]

It's the bigger, less agile legacy companies that often prove weaker and more vulnerable.

Clash of the titans

When a competitor launches an attack, a CEO's first instinct may be to build or fortify a wall around the business, pursuing a series of defensive moves to protect the company. But in the face of a genuine disruption, this approach is doomed to failure. No wall is strong enough to withstand the impact of a truly disruptive business model (that, by definition, is what makes it truly disruptive). And in an environment teeming with potential disruptions, sheer heft is no longer a reliable defense in and of itself. Indeed, size can be a liability: It's the bigger, less agile legacy companies that often prove weaker and more vulnerable.

That's the lesson learned by many retailers that initially dismissed the strategy of Amazon founder Jeff Bezos. A 1999 *Wired* profile titled, "The inner Bezos," published when Amazon still primarily sold books, asked Bezos what retail would look like in 2020. He predicted that people would order the majority of store-bought goods online, including food staples, paper products, and cleaning supplies. The only way retail stores would survive, he said, was by providing "entertainment" and "convenience."[5] Very few retailers gave his projections much weight, and understandably so: At the time, e-commerce sales accounted for only 0.64 percent of the United States' total retail sales (compared to more than 10 percent today).[6]

As it turns out, Bezos was mostly right. Which is why some consumers scratched their heads in puzzlement when Amazon decided to open a physical bookstore in Seattle on November 2, 2015, after 20 years as an exclusively online seller.[7] But viewed through the lens of disruptive jiu-jitsu, Amazon's move—first deconstructing the brick-and-mortar shopping experience, and then reconstructing it along the lines of an expanded vision that merges online convenience with physical interaction and entertainment—shows how fluid the competitive realities of today's environment have become.[8] Eighteen bookstores and more than 490 Whole Foods stores later,[9] Amazon today is officially (also) a physical retailer[10] with clear aspirations to break new ground in analyzing and influencing how customers shop—and plenty of physical spaces within which to experiment with new retail innovations such as Amazon Go,[11] a technology that allows people to shop at a cashier-less store that automatically charges customers for the items they take with them.

In turn, traditional brick-and-mortar retailers have adapted to the new competitive reality Bezos predicted by making their own moves to deconstruct certain elements of e-commerce and integrate them into their own business models. In Los Angeles, for example, the department store

Nordstrom has recently introduced Nordstrom Local—a tiny store with no inventory, although a few high-end garments and shoes are displayed. On hand instead are personal stylists who offer fashion tips, free onsite tailoring, and wines and manicures for purchase. The goal is to provide a unique customer experience that entices customers to buy merchandise on Nordstrom.com, which then provides same-day delivery service. At other select Nordstrom locations, customers can return items by simply dropping them into a box and walking out.[12]

Nor are such strategies unique to high-end retailers. Companies like Target and Best Buy have been busily linking select e-commerce capabilities to the potential advantages conferred by their physical stores. Rather than fight "showrooming"—when customers visit a store to examine a product in person before buying it from an online competitor—Best Buy CEO Hubert Joly decided to take advantage of it by instituting a price-match policy and also offering companies such as Apple, Samsung, Amazon, and Google the opportunity to pay for branded floor space to showcase their products.[13] In the process, he augmented Best Buy's own business model and in fact found a way to attract more would-be "showroomers"—and offer them the instant gratification of an informed in-store purchase.

To practice disruptive jiu-jitsu successfully, CEOs should know their opponents.

With brick-and-mortar and online retailers continually using disruptive jiu-jitsu against each other in an ongoing battle for supremacy, customers can likely expect to see a steady stream of such interesting innovations in the retail customer experience.

The art of war

One of Sun Zi's most famous lines from his *Art of War* is, "It is said that he who knows his opponent and knows himself will not be imperiled in a hundred battles."[14] To practice disruptive jiu-jitsu successfully, CEOs should know their opponents. By actively looking for little-known market concepts, particularly those with apparent destructive potential, leaders can reduce the element of surprise and prepare to meet the competitive threat with an equally novel response.[15] CEOs should therefore commit their organizations to scanning the environment, identifying unusual or interesting patterns of new value creation, and being ruthlessly curious about the underlying sources of that new value. Is there anything to be learned from these ideas? Can they be seized, internalized, and made better? Can potential disruptive scenarios be played out to their logical conclusion: "If X, then ultimately Y?" All of these questions can help CEOs recognize nascent disruptions and devise strategies for turning them to their own advantage.

Equally important, CEOs practicing disruptive jiu-jitsu need the emotional fortitude to confront the impermanence of their organization's current business model—and a beginner's mindset to help them find ways, if needed, to adjust their organization's business model to create untapped value. In effect, the aim is to self-disrupt before being disrupted by someone else. Though the process can be painful, the alternative may be worse. As a recent *Forbes* article on self-disruption speculated: "Imagine if the taxi industry had taken a moment to self-reflect on how it could improve its offering to consumers before Uber came in and made it nearly irrelevant."[16]

Leading with disruptive jiu-jitsu

For CEOs accustomed to relying on defensive tactics to counter emerging market threats, disruptive jiu-jitsu and the adjustments it can require to a company's leadership dynamics may be disconcerting. It relies on a confident, gutsy, and forward-leaning attitude, as well as creative pattern recognition, improvisation, and a frame of mind in which the CEO is always prepared to make a considered choice about where to place the organization's energy.

On an organizational level, deliberately disrupting one's own business model for the sake of an often uncertain future is never comfortable. CEOs may therefore need to push hard to turn the business—or at least part of the business—in the right direction, especially if they catch wind of a disruption so early that no concrete competitive threat has yet materialized. In the intense competition between Barry Diller and Sumner Redstone to acquire Paramount Pictures in the mid-1990s, for instance, Diller reportedly expressed to the studio's board of directors his interest in leveraging the then-new internet to distribute film and television content in the future.[17] He even brought a computer into the boardroom to demonstrate what the internet was and would become. Rather than fear the innovation, he was willing to embrace it, envisioning being able to use the internet as a content distribution platform while preserving royalties. However, the board supported Redstone's more traditional approach and plans. Ultimately, film studios were profoundly impacted by the disruption from online streaming platforms.

Most critically, the successful practice of disruptive jiu-jitsu requires a CEO to relinquish the illusion of the organization's competitive strength and, instead, examine and embrace its vulnerabilities. To win in today's cutthroat market environment, in which innovations burst forth at remarkable speed, CEOs should be ready to accept their own organization's impermanence in order to decisively engage a new competitor. Only then will they have the foresight to recognize patterns of potential disruption, imagine how those forces could play out—and then turn them, through disruptive jiu-jitsu, to their own organization's advantage.

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