



“One of these days, things are going to change!” How do *you* make sense of market disruption?

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Abstract The significance of mindsets is apparent in everyday business life. As today’s managers and companies face uncertainty and disruptive change in the business environment and markets, there is a growing need to understand and strategically address such change. This becomes challenging when disruptive market forces confront the institutional logic or rules of the game based on collectively acquired experience of doing business in the given field. In overcoming such challenges, managers’ hidden reasoning remains an untapped potential while their existing mindset influences what they attend to and what they decide to do. This article elaborates a diagnostic framework, accompanied by a tool to help managers make sense of disruptive markets and reflect individually and collectively on possible courses of action. The framework has two principal dimensions—strategic scope and focus—that are further divided into three business elements of strategic market-oriented management: offering, customer, and market. The tool offers a practical means of profiling individuals’ mindsets. In increasingly dynamic business environments, reflection capabilities represent a new source of competitive advantage.

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1. Markets are increasingly disruptive

For most industries, the business landscape has changed dramatically in recent years, affecting both established companies and startups. In this environment, there is growing concern that managers’ traditional map of the landscape—that

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is, their mindset—is outdated, and there is a need to rethink in order to remain competitive. For example, experts in the financial industry have noted growing global pressure for change, especially among incumbent financial institutions (Dietz, Härle, & Khanna, 2016). The multiple forces of change extend beyond fintech and digitalization to include new disruptive entities such as e-retailers, large ICT and tech companies, startups, robotics, artificial intelligence, and social media platforms. Other relevant factors include changes in customer behaviors, industry regulation, and the need to switch from continuous improvement of existing processes alone to transformational change. More than 80% of banking leaders believe that their business is at risk, and that revolutionary newcomers alter the institutional logic in ways that challenge incumbent actors. While managers at incumbent companies generally confess to fear of disruption and where it may lead, many businesses find ways of managing through it. To date, incumbent financial institutions have been slow to take drastic measures. Some argue that this is because they operate in a highly regulated market where margins remain satisfactory. However, that market is now approaching a point where genuine disruption is intensifying, and not all will survive. Many other industries have already experienced this effect, and more will presumably follow suit.

The notion of disruption dates back to Christensen's renowned book *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*, which drew a distinction between sustaining technologies that build on current products, making existing operations more efficient, and disruptive technologies that redefine those operations (Christensen, 1997). Based on numerous cases, Christensen observed that many respected and well-managed companies failed when confronted by changing markets and technologies because they continued to do what had worked for them in the past and underestimated rivals' disruptive innovations. While few incumbents transformed successfully into disruptive innovators, new entrants emerged and began to dominate the market. The paradox was that, in disruptive market situations where companies knew least, the payoff was highest for learning quickly and being a first mover.

In disruptive markets, what seems to distinguish winners from losers is that the successful companies have individuals who can see the present and the future more clearly than others, and act on their vision to steer their company into what is, for others, the unknown. These prominent business innovators and leaders serve as role models for how to rethink and challenge business assumptions.

In any industry or company, whether already experiencing disruptions or not, the value of managers' mindsets represents an untapped resource.

While organizational similarity of mindset and shared meaning may work in stable situations, increasingly dynamic environments demand mindset diversity. In such circumstances individuals can make or break a company, and this is our starting point: What if companies and organizations recognized individuals who make key decisions about what to do next, and what if there was a tool to analyze how they think? Such a tool would be useful not only in crises but also as a proactive means of ensuring and enhancing continued competitiveness.

In order to see individual managers and their mindsets as an organizational capability, it becomes essential to understand how different mindsets can be utilized and how they affect the organization. How do managers envision the future? What are the priorities of each individual manager? What does each believe the core of the business should be to generate sustainable competitive strength for the future? What is the detail of their marketing priorities and the hidden potential of their offerings, customers, and markets? Today, even when these issues are discussed, there is in practice no formalized means of systematically identifying and articulating these hidden assumptions. This article describes such a tool, with instructions for diagnosing fundamental business logics.

2. The views of individuals matter

"We have to change in order to be the same" is the title of the first chapter of Richard Normann's (2001) seminal book, *Reframing Business: When the Map Changes the Landscape*. This publication was the first—and remains one of the very few—to link the changing logics of business context and value creation to the mental processes that enable companies to change. However, rather than emphasize an aggregated collective mind in which meaning is shared by managers and others, Normann (2001) highlighted the significance of key individuals. Some are CEOs with a mandate to direct their company; others are entrepreneurs with a singular vision that may contradict what is expected or taken for granted. For example, what would Ikea be today without the original and persisting vision of its founder, Ingvar Kamprad? Other examples include Bill Gates of Microsoft, Steve Jobs of Apple, and Mark Zuckerberg of Facebook, and there are other visionaries less well known to the wider public. Extending this idea

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