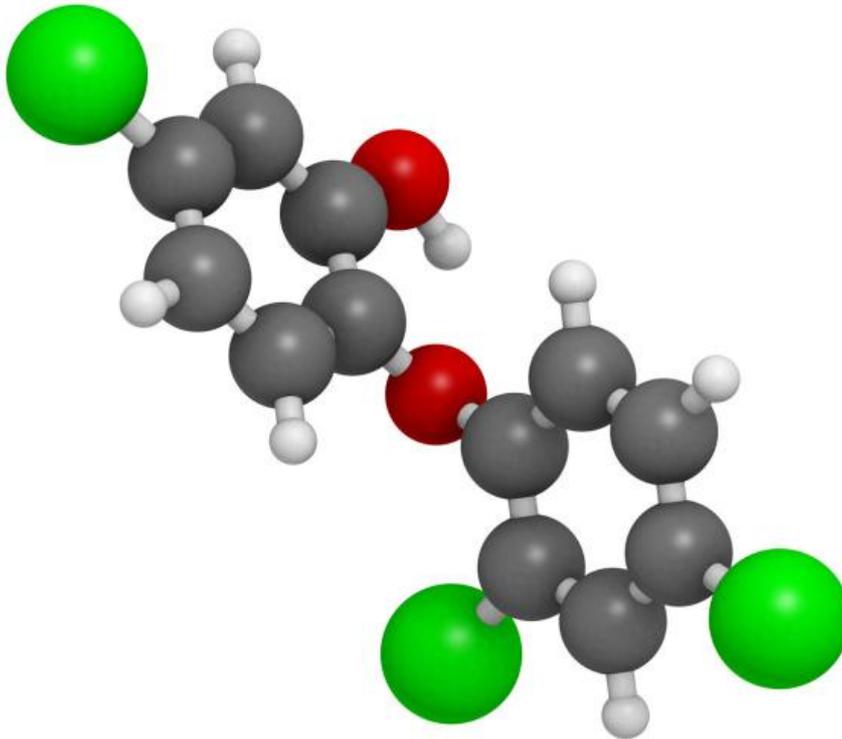


Imitate them, buy them, but don't ignore them

MOHIT KISHORE

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Responding to disruptors in the apt manner is key to survival

The rapid evolution of the AAP, from what seemed an activist fringe to the political mainstream, highlights the classic way in which disruptive firms assume mainstream significance in a market, while being seemingly innocuous at the beginning.

The mainstream parties that were more attuned to traditional electoral variables such as caste, religion and personalities turned a blind eye to the challenger. The challenger, meanwhile, nurtured a hitherto overlooked section of the political system — the middle class.

Disruptors are a productive force in any marketplace because while unearthing previously unknown

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needs of customers and serving them, they also raise the efficiency of incumbents, and thereby support the creation of truly competitive markets (as opposed to monopolies or oligopolies characterised by complacency).

However, a mature market is one where not only is there a healthy number of disruptors, but also a healthy number of incumbents who respond effectively to the challenges put forth by disruptors.

This balance is crucial because while disruptors create new possibilities, they tend to operate in small niches initially, and it is left to the large incumbents to perform the critical function of maintaining the supply of the existing service to society at large.

In what way can large incumbents respond to challengers? Four approaches are outlined here.

Strengthen the core

While the temptation may be quite high within incumbent organisations to discard what has been working in favour of a newly proven disruptive approach, it may also be worthwhile to actually increase the focus on the existing core strengths.

For instance, public sector banks, while lagging behind private players in technological or operational efficiencies, have an established strength in the personalised service they offer at their branches, which private sector players find hard to imitate.

It may be a worthwhile strategy for public sector banks to further strengthen this competence and find meaningful spaces in the market where this attribute matters more than efficiency.

Imitate the disruptor

This may sound unappealing, but sometimes the best response to unexpected market disruptions that reveal hitherto unknown customer preferences is to simply replicate the offering of the challenger.

In the Indian telecom industry, per-second billing, which was pioneered by a challenger, was quickly imitated by the mainstream, and the consumer insight around this idea was commoditised. Returning to the example at the beginning, given the short run-up to the next election, it may not be surprising to see mainstream parties simply imitating what they believe to be the most potent of the differentiators presented by the AAP.

Of course, imitation will not work if the disruptive proposition of a challenger is based on some hard-to-replicate intellectual property.

Merge and acquire

This is the route of mergers and acquisitions. This enables larger firms with big capital to absorb successful disruptive organisations into their fold.

In ideal situations, this may present a win-win opportunity for entrepreneurs to exit their creations and for the acquiring firm to monetise the remaining life of the innovation created by the entrepreneur, while staying ahead of the competition.

Join the party

Occasionally, challengers end up creating a host of new opportunities for incumbents as well, who can tap in and cooperate. For instance, the internet (and piracy on it) was a major disruption for the record industry.

However, the success of platforms like iTunes, which allow legal purchases of individual songs for download, demonstrates how a monolithic incumbent can also find opportunities within the new world represented by the internet.

Similarly, FDI in retail, which is viewed with trepidation as a potential threat to the traditional *kirana* format, may actually instead create opportunities for traditional retailers to partner with big brands, perhaps as their franchisees.

Thus it is important to take into account opportunities for cooperation and alliances with disruptive forces.

Of course, incumbents need always be 'responding' to challengers. They can initiate disruptions themselves. The primary challenge here is often the contradiction in culture between what it takes to run a modern day large organisation, and what it takes to create disruptive offerings for the market. In the end, the conflict between incumbents and challengers is an important one in all spheres of life because it is in the constant pulls and pushes between revolutionary forces and *status quo* forces that sustainable evolution emerges.

The writer is a corporate strategy professional.

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