March 3, 2010
Volume 8, Number2

Reinvent Your Company With Business Model Innovation

Welcome!

Innosight chairman Mark W. Johnson's book, "Seizing the White Space: Business Model Innovation for Growth and Renewal," is now officially out! In this issue of "Strategy & Innovation," we're continuing what we hope will be an ongoing discussion about business model innovation.

In “Making the Worst of Times Into the Best of Opportunities,” Mark explains how business model innovation can help companies when their markets and industries face discontinuity. In a piece from our archives, “One Hundred Days To Disruption,” Scott D. Anthony explains how a company can move from idea to business model in 100 days. Scott tackles how best to approach emerging markets in “Innovation in Emerging Markets,” while Mark explains how “white space” is defined as a specific type of opportunity in “Where Is Your White Space?”

Comments and suggestions are always welcome – send them to
editor@strategyandinnovation.com.

— Renee Hopkins, Editor

Events

The Front End of Innovation - Innosight will be exhibiting, May 3-5, Seaport Boston Hotel. Use this code – **FEI2010INNOSIGHT** – to get a 25% discount on this conference.

For Front End of Innovation:
http://www.iirusa.com/feiusa/fei-home.xml

Mark W. Johnson was interviewed on "Innovating Your Business Model" for an HBR IdeaCast.

For HBR IdeaCast:
http://www.youtube.com/watch?v=hst_Faxk04c

Feature: Making the Worst of Times into the Best of Opportunities

Business model innovation can help companies handle discontinuities.

By Mark W. Johnson

The history of business is full of stories of entire industries cut off at the knees when some natural, political, or market catastrophe felled them.

Consider the way we have lit our homes over the years. In the 19th century, whale oil lamps were common, until the whale oil industry was wiped out as kerosene lighting ignited the rise of the petroleum industry.

Then Edison threw a light switch, and the world changed again. No one wanted the foul smell and dangerous flame of kerosene lanterns in their homes when they could have clean and easy electric light. Demand for fossil fuels plummeted, and only rose again with the advent of the automobile. Now, the ramifications of climate change threaten the automobile, utilities, and oil industries.

For those who develop innovative new products in response to market-driven circumstances, these are unsettling stories. The idea that unpredictable, revolutionary forces can sweep away entire industries is daunting. No less daunting are the unforeseen, industry-specific shifts: the rise of an agile disruptor that changes the playing field for an incumbent who, typically, didn't see the threat coming. Never mind the difficulty of responding to a larger discontinuity, such as the 9/11 attacks, or the global financial contraction of 2008 and the subsequent evaporation of consumer demand in Western markets.

How can a business meet unexpected threats such as these?

The key to responding to such cataclysmic shifts is to focus the kind of ingenuity and creativity that companies now devote to product innovation to devising innovative new business models to take those new ideas to market.

That may sound just as daunting as the challenges themselves. But that's because so few companies have devised a systematic and predictable way to go about it.

In my new book, *Seizing the White Space: Business Model Innovation for Growth and Renewal*, I lay out such a process, one that builds on and extends the methods successful innovators use to develop new products.

In fact the starting point for innovating a business model is the same place savvy innovators, and successful start-ups, have always begun – by identifying an important job a real customer needs to get done and then proposing an offering that fulfills that job better than any alternative the customer can turn to. The key to innovating your business model in the face of discontinuity is to try to understand how the new circumstances will change the jobs customers need to do or give rise to entirely new jobs. Understanding powerful external forces in this way can make the suddenly overwhelming far more manageable.

Once you've looked at the new, changed circumstances wrought by discontinuity through the eyes of a customer trying to get a job done, you can begin to see the actual opportunities in the threats themselves. Then by working up an initial estimate of the business model that could capture the new opportunity and comparing that with your current model will tell you whether you can respond to the new world order with your current business model or need a new one.

That sounds straightforward, but in reality it's very challenging for two reasons. In the regular course of events, many companies operate very effectively without a thorough understanding of their current business model, relying on rules of thumb and shorthand indicators like gross margins or sales quotas. Second, many companies judge the difficulty of capturing new opportunities according to the strength of their competitors rather than their own capacity to meet those opportunities – that is, according to how those opportunities fit with their own business model. Going after a seemingly lucrative opportunity with the wrong business model is the reason so many companies fail in their efforts at transformational growth.

That said, if a new business model features smaller margins, a much smaller overhead structure, or a dramatically different resource velocity (that is, a significant change in the speed with which assets need to move through the business system), it's a good bet that it can only be addressed by setting up a separate unit with a separate business model. The same goes for models that need to run under different metrics, cultural norms, or business rules (different gross margins, unit prices, unit margins, quality measures, time to break-even, individual rewards, incentives, etc.).

Setting up a new unit to run a new business model may seem like a big bet, but it's actually a form of risk containment and a far more promising alternative than hunkering down and waiting out the storm, or freezing your current business model like a deer in the headlights. Rather than trying to defend the indefensible, you can transform and renew your company by building a better business model that can expressly take advantage of the shifting environment.

This article was previously published on the CNBC 'Bullish on Books' blog:
http://www.cnbc.com/id/35561966

Related reference:

http://www.seizingthewhitespace.com

Feature: One Hundred Days To Disruption

How businesses in any industry can move quickly from disruptive idea to disruptive plan.

By Scott D. Anthony and Brad Gambill

The concepts of disruptive innovation are powerful tools with which to spot high-potential opportunities. Whenever we run an idea generation session, we are struck by how intuitive and powerful people find the core disruptive concepts. They allow managers in even the most moribund of industries to quickly envision entirely new, fertile fields of growth.

However, we've noticed a disturbing pattern. If we check back with a company 60 days after a one-time ideation workshop, we frequently find that nothing has happened. Why? Managers returned to their desks, stepped back into the daily grind, and the optimistic feelings generated in the session slowly disappeared or were consumed by near-term priorities.

The gap between the germ of a disruptive idea and successful commercialization can be wide. Sometimes, managers can feel like they have not developed detailed enough plans to move forward. After a successful ideation session they might say, "How do we know we generated the right idea?" or "There's no way we could, in a day, really develop a robust-enough plan to actually spend money on."

And sometimes, managers will go to the other extreme. They will develop an extremely detailed business plan that requires massive investment of dollars and human resources. These plans typically never see the light of day, because senior managers intuitively (and correctly) get squeamish about placing big bets on highly risky plans.

There is another way. Through work with some of our clients — many of them in Asia — we have developed a simple, five-step process that can help companies go from a desire to disrupt to a funded disruptive business plan in less than 100 days.

Step 1: Identify opportunity areas (5 to10 days)

Before developing specific plans, companies should step back to identify broad opportunity areas (sometimes called "domains" or "growth themes") that can form the basis of the investigation.

While companies sometimes think the key to innovation is to encourage unbridled creativity, our belief is that focus is an important enabler of success. As one senior executive told us, "What are our odds of success if we trawl the ocean looking for a whale?"

Finding new, high-potential opportunity spaces isn't always obvious. One trick is to imagine adjacent markets that you touch, but in which you don't actively participate. Look for a market that is close to the core so that your capabilities, assets, or knowledge could form the foundation of a new growth offering, but far enough away that traditional competitors might scratch their heads when they hear about the opportunity space.

The disruptive concept of nonconsumption can be a helpful tool as well. Consider markets in which factors such as product cost, complexity, or inconvenience constrain consumption. For example, there are more than 46 million people in the United States without health insurance. This market has obvious potential for disruptive growth.

Ideally, companies seeking to look beyond the “normal” opportunities that characterize their market should combine the wisdom and judgment of senior management with a healthy dose of experienced judgment that has been gained through achieving not only success, but equally importantly, painful failures. It is the pain from these failures that prevents decision-makers from taking easy or obvious paths when their gut instincts tell them something more is required.

Selecting domains requires striking a delicate balance. Howard Stevenson from the Harvard Business School defines entrepreneurship as “the pursuit of opportunity without regards to resources controlled.” However, companies do have to have (or be able to create) some kind of right to win in a marketplace.

Spotting opportunity spaces requires managing this balance, remembering that tomorrow’s capabilities might look very different from today’s capabilities.

Selected opportunity areas should be broad, such as “real estate” or “low-cost tires,” and strategically important to the company.

Step 2: Generate idea list (14 to 35 days)

In the next stage, a small team should develop a long list of innovative ideas. The team’s goal isn’t to develop detailed business plans around each idea. Rather, the team should form nuggets of ideas that can be shaped and polished in the next steps of the process.

The concept of jobs-to-be-done aids this investigation. Remember, this concept holds that great growth opportunities are found in helping people address pressing problems that aren’t adequately solved today. The jobs lens provides a blueprint for innovation by zeroing in on key customer pain points.

Concurrent with the jobs-to-be-done investigation, the team should develop a detailed balance sheet of the corporation’s capabilities and disabilities. What assets does the company really have to bring to the identified opportunity spaces? What liabilities will they need to overcome? The goal is to see if there are internal capabilities that could open up new opportunity spaces (such as when Philips started selling its design capability to outside companies), and to begin to think about what capabilities the company will need to create or acquire to master growth.

The final analysis should quickly map out the trends taking place in the given industry space.

Over the last week of this stage, the team should synthesize its work by creating a list of 15 to 20 potential opportunities, each described in two to three sentences that identify the target customer, the job they are trying to get done, and preliminary thoughts about potential solutions. The emphasis during this stage should be on making quick progress. This should not be a boil-the-ocean analytical effort, nor is it intended to be totally exhaustive. Rather, it is a quick way to develop a long list of interesting ideas to get things rolling.

Step 3: Hold a disruptive business-shaping workshop (2 days)

Now the team, key stakeholders, and any other good, innovative minds in the company come together for an immersive two-day workshop. The purpose is to select the highest-potential ideas and begin to flesh out possible solutions.

The first day begins with an overview of the key principles of disruptive innovation, to stir people's thinking about how to spot and seize opportunities.

The rest of the session involves a series of facilitated breakout group discussions. During the breakout group discussions, the group divides into small teams to work on specific opportunity areas. Each team's job is to prioritize the list of raw ideas in their selected area, and then develop one idea into a skeleton business plan.

Teams do this by going through a three-step process. The first step is to define (or refine from the pre-work) a high-potential job-to-be-done — an important innovation problem that isn't being adequately addressed. The second step is to develop a solution that gets the job done better than current alternatives. Finally, the third step is to craft a compelling business model and develop a rough plan to take the idea forward.

At the end of this activity, the large group comes together to prioritize ideas that it thinks have the most growth potential.

One good way to do this is to emulate venture capitalists and allocate play money to the ideas that have been developed.

Useful criteria for selecting an idea include:

1. Is the idea truly disruptive? Consider:

   - Is the job BIG, as well as unsatisfied?
   - Can we find a compelling foothold customer and solution to make progress?
   - Can we start small and earn early profits?
   - Can we avoid competition from large incumbents?

2. Can we find a way to implement with low fixed costs (to allow for iteration) and to pilot the concepts cheaply?

3. Are there long-term sources of competitive advantage available (especially learning curve advantages)?

4. Is there a path to profitability in 24 months or less?

Then, the groups switch up, pick up another set of ideas, develop skeleton business plans, and select the two with the most potential.

Finally, the entire group steps back to evaluate the four to six ideas that it identified as having the highest potential, selecting the leading candidates that will be evaluated in the next stage of the process.

While the two days can be intense, we find this facilitated process — winnowing down the list, building skeleton plans, and focusing on the ones with highest growth potential — is an effective way to make quick progress on a number of ideas, draw in widespread expertise, and begin building organizational buy-in around the ideas.

The results of this workshop aren't immutable decisions about which business plans to write. We find that about half of the output of the process's next stage emerges from discovery and bears little in common with what was discussed in the workshop.

Step 4: Build business plans (42 to 56 days)

Over the next six to eight weeks, the team should further flesh out the selected skeleton business plans, specifically driving toward creating a detailed plan for a low-cost pilot to test the selected idea.

Guiding this effort is a disruptive template that facilitates addressing a series of questions about the opportunity, such as:

- What "job" are we trying to attack?
- What is the size and nature of the benefit from getting it right? Financial? Emotional?
- How many, and which, customers currently have these jobs?
- What three to four key features define our solution? What combination of "gives and gets" will meet the job more effectively?
- On which dimensions will we be only good enough?
- Who are the major competitors?
- If we get this right, how much money is in it? When?
- Can we run an operational pilot with limited funds (e.g.,less than US$200,000)?

The team can answer these questions and build their plans via intense working sessions augmented with some focused research efforts. The primary goal is speed, so tools such as focus groups, rough mockups, and subject-matter-expert interviews are appropriate.

While companies might feel pressure to create several-tab-level-deep financial forecasts, we caution against that. Instead, we are big proponents of using qualitative assessment tools that can help further unearth risks and unknowns.

On the financial front, companies should start with their targets. What kind of revenues must an opportunity generate on an ongoing basis to be attractive? How soon must it produce positive cash flows? Then calculate backward from those figures to determine what has to come true to reach those projections.

This process is highly emergent and intuitive. Often, the best idea comes midway through the process, as investigation shows that an idea discarded in the workshop actually has growth potential, or unearths an idea that had never been discussed. The team has to remember that it isn't following a pure paint-by-numbers exercise and to be careful to watch for these emergent signals.

Step 5: Decision-making workshop (1 day)

Finally, the team and selected senior managers coalesce to make decisions about which pilots to fund. The first time through this kind of process, it is useful to start with a review of key disruptive principles. Then move to the specific ideas.

Try to make sure the presentations don't drone on, but are used as opportunities to engage management in the ideas and begin active problem-solving.

This session is itself an opportunity to change interactions between senior management and project teams. In disruptive circumstances, senior leaders must shed their devil's-advocacy hats and take more of a problem-solving role. This session can be a great way to begin to engage in collective problem solving about how to address the unknowns. However, at the end of the day, senior management must put its money where its mouth is and sign up to move forward with at least one of the pilots.

Keys to 100-day success

There are three keys to succeeding with this approach. The first is for senior management to provide clarity about its goals and boundaries for the innovation exercise. Senior managers should make very clear the areas in which they are interested, the ones that they would consider in the right circumstances, and the ones that are off the table. We encourage keeping the "off the table" list short, with periodic check-in points to ensure the effort doesn't wander into areas that make senior management too uncomfortable.

The second key is allocating resources toward the efforts. It is critically important that senior management agree at the beginning of the process that it will allocate at least some financial and human resources to the winning plans. If senior management doesn't make that commitment, the process could likely stall after the final workshop.

Finally, key senior managers should participate actively in the process. Simply showing up at the final meeting isn't enough. Unlocking the power of disruptive innovation requires senior leaders to shift mindsets and act differently. Joining the team for at least part of the journey can help create shared understanding that translates into a real capability.

The approach described in this article is straightforward; however, it is not purely rules-based. Nor does it work in every circumstance. For example, this process would not work for capital-intensive industries that have multi-year development processes (such as pharmaceuticals).

As noted previously, seasoned judgment and intuition must inform many of the strategic decisions made during the process. Companies also must recognize that going through this kind of approach won't produce perfect answers. Instead, the idea is to quickly make progress on an idea and learn from real-world experience.

Following these steps can help teams quickly develop actual, fundable business plans that allow their companies to realize returns from their desire to do things differently.

The U.S. newspaper industry has been struggling over the last few years to cope with seeming hordes of disruptive attackers. After going through a version of this process, Ron Welby, of Enterprise NewsMedia remarked, “It was a lot of work. We had to make time for these meetings, but I think it brought us all much closer together. It really built the strength of the team. We feel like we can take on the world.”

One hundred days from a glimmer of hope to an ability to take on the world. Not too shabby.

Sidebar: Templates and Frameworks Enable Success in Ideation

The use of simple templates and frameworks can be an incredibly powerful enabler of ideation activities.For example, in March 2007, Innosight Asia and the Confederation of Indian Industries put on a day-long Innovation Summit for 190 Indian managers. The managers came from a wide range of industries and included a rich mix of mid-level managers and CEOs. Most people at the pre-assigned 10-person tables had never met before.

After Clayton Christensen presented the core concepts of disruptive innovation, Innosight Asia presented four opportunity areas: power, automotive, energy, and shipping and transportation. For each, Innosight Asia described some jobs associated with particular customer groups. For example, a customer who cannot afford regular power service in their home might have the job of, “I want to host a party/dinner at home, for which I need moderate power access for a fixed period of time.” Or a grid customer who needs moderate amounts of power at specific times might have the job, “I want to sell my excess power to my neighbor when I do not need it.”

Each table spent five minutes selecting the opportunity area that interested them the most, and 10 minutes quickly selecting a preworked job-to-be-done. Then they spent an hour coming up with a disruptive solution to that job. Armed with new concepts and simple tools, the teams came up with a fascinating set of opportunities. For example, one team developed an idea for a “dentist office on wheels” to provide simple, low-cost dentistry services.

A similar idea in a very different space was a portable electronic retail store — essentially a truck trailer that is pre-configured like a store that could be set up in rural areas that lack access to electronic items.

Scott D. Anthony is managing director of Innosight Ventures. Brad Gambill is the former managing director of Innosight Ventures.

Feature: Where Is Your White Space?

For all its ambiguity, 'white space' is a metaphor about business opportunity.

By Mark W. Johnson

"We see local as the big white space."

That's America Online (AOL) CEO Tim Armstrong recently explaining (see related reference) to a group of investors how AOL's "digitizing towns" initiative (to offer one-stop website-management services to municipalities all across the U.S.) would position the company to compete against the likes of Google, Yelp, and CitySearch as the company looks for a clear path away from the disappearing dial-up subscription market.

In this context, white space basically means "a place where a company might have room to maneuver in a crowded playing field."

As a metaphor, white space is at once ubiquitous and frustratingly ambiguous. There may be as many definitions circulating as there are business thinkers. Some people define it as a place where there's no competition. Others as an entirely new market. Still others use it, as Tim Armstrong has, to refer to gaps in existing markets or product lines.

For all its ambiguity, though, white space is undoubtedly a metaphor about opportunity; different thinkers define it differently because they take varying approaches to capturing opportunity. In that spirit, let me offer up another way to look at white space — a very specific meaning I think would be particularly useful to Tim Armstrong and to any other top executive engaged in strategy formulation.

Rather than think of white space as external — as some indistinct but desirable land outside your company's walls — I suggest that it's more productive to view it as an internal signpost — as a way to map your company's ability to address new opportunities or threats. So by white space, I mean "market opportunities your company may wish — or need — to pursue that it cannot address unless it develops a new business model."

These might be opportunities to bring your own innovations to market — Apple's iPod is a great example and so were the mouse and laser printer (albeit ones their inventor, Xerox, failed to develop). Alternatively, they might be imperatives to address a competitive threat or a radically altered market landscape — like the one AOL faces as it watches its dial-up subscription market melt away or the one I suspect many, many companies will face this spring as they contemplate a world devoid of credit-induced demand.

Defining white space in this way is important to strategy formation for three reasons.

First, many companies have drawn too broad a conclusion from failed efforts to enter their white space — not that those opportunities couldn't be captured without changing their business model, but that those opportunities could never be captured at all. As a result, they've retreated to their core operations and adjacencies — and unnecessarily limited their options to only those strategic moves that they can execute with their current models. Too many companies act like Xerox in this situation and not like Apple.

Second, if viewed in this way it becomes clear that one company's white space may be another company's core competence. This may well be so for AOL as it tries to switch from a profit formula based on subscriptions to one funded through advertising, something very far from its core but very familiar to its born-on-the-Web competitors (though perhaps the fact that Armstrong is a former Google executive will carry the day).

But ultimately what this definition allows you to do is map a new opportunity or impending threat against your company's current ability to meet it, rather than assuming that the odds of success depend mainly on how near or far it is from other competitors. If white space really were just a place where no competitors lurked, companies would have little trouble bringing their most innovative ideas to market, since they'd be, practically by definition, the ones least subject to competition. But we all know how often that turns out to be true.

This article was previously published on the Harvard Business Press blog, The Conversation:
http://blogs.hbr.org/cs/2010/02/where_is_your_white_space.html

Related reference
http://www.clickz.com/3635861

Feature: Innovation in Emerging Markets

Three critical factors should not be overlooked in any strategy aimed at emerging markets.

By Scott D. Anthony

Management gurus – most notably University of Michigan's CK Prahalad – have long urged companies to step up efforts to drive growth in developing markets.

Along some dimensions, it's just a matter of math. Close to 80 percent of the world's population and 40 percent of its gross domestic product (adjusting for purchasing power parity) reside in relatively poor countries. This isn't just the "bottom of the pyramid" – those living on $1 or $2 a day. This is an emerging middle class with significant purchasing power.

Yet success in emerging markets remains frustratingly out of reach to most companies – the average S&P 500 company earns only about 10 percent of its revenues from emerging markets.

When he took over as CEO of Procter & Gamble (P&G) last July, Bob McDonald used a simple calculation to put this challenge in context. He noted that if P&G were to increase per capita consumption of its products in India and China to the levels it enjoys in Mexico, it would be worth $40 billion in incremental revenue.

The challenge for many companies isn't recognizing the opportunity that exists in emerging markets – it's actually doing something about it.

Our own fieldwork suggests that most companies overlook – or underestimate – three critical factors.

The need to target a different customer segment. Most companies naturally look for customers in emerging markets who look like customers in their established markets. Success in emerging markets, however, requires reaching what we call "nonconsumers," or people who face some kind of barrier that inhibits their ability to consume a particular solution.

For example, a few years ago Godrej & Boyce, a leading Indian conglomerate, became particularly interested in driving growth in the refrigeration market. One natural target? Trying to get the 10 percent of Indian households that already had refrigerators to upgrade to bigger and better refrigerators. Or convincing the additional five percent or so of Indian households that could afford a refrigerator to purchase one.

Godrej & Boyce was able to flip the problem on its head and ask what it would take to reach the massive number of Indian households that couldn't have refrigerators. These potential customers wanted some of the benefits of refrigeration – a cold drink at the end of a long day, the ability to store leftovers so they wouldn't have to cook every day, and so on. But insufficient wealth, inconsistent electrical power, and cramped living quarters locked them out of the category.

Last year, Godrej introduced the "ChotuKool," a small, $70 top-loading refrigerator with a battery backup to withstand power outages. By specifically focusing on removing barriers that constrained consumption, Godrej is poised to create a major growth business that could transform the refrigeration category.

The need to rethink the business model. A company's business model describes how it creates, captures, and delivers value. Success in emerging markets requires re-thinking key business model elements, particularly distribution channels, partners, and revenue models.

Consider Hindustan Unilever Limited, an Indian consumer products company that is majority owned by global conglomerate Unilever. In established markets, Unilever relies on a highly developed retailing system to distribute its products. India's still developing retailing infrastructure required taking a different approach.

In the 1990s, Hindustan Unilever created a team to identify women in rural Indian villages who could be the company's direct representatives. It used a variety of means to train and educate these women, such as having trained actors perform skits communicating key brand messages. The women then told villagers of the importance of hand washing and shampooing.

Hindustan Unilever created drop-off points where the women could pick up soap and other goods. By 2006, the close-to-50,000 women in the "Shakti Initiative" had increased Hindustan Lever's rural penetration in India by more than 50 percent and were generating more than $100 million in revenue. The company expanded the program in India and plans to replicate the model in other markets.

Tata Motors has built some unique business model elements into its plan to transform the automobile industry with its $2,500 Nano. Achieving that price point required outsourcing an unprecedented 70 percent of the car's components. Tata also is working on a mechanism to distribute almost-finished-kits that could be put together by rural entrepreneurs, allowing it to serve customers in hard-to-reach areas.

The need to drive work locally. Historically, many companies developed ideas in their global headquarters and relied on regional representatives for implementation. But it's difficult to understand the differences (and difficulties) of working in emerging markets remotely.

For example, in 2008 Innosight began testing a business to provide affordable laundry services in India via a small-footprint kiosk with an integrated washing machine. We hired relatively poor rig operators, some of whom had experience working as village laundrymen (known as "dhobis").

We naturally thought that offering the dhobis substantially higher wages would help us attract and retain talent. However, we suffered high employee turnover.

Local experts proposed a compartmentalized payment package that included not only wages but a bus pass and affordable sleeping arrangements, as well. The total level of compensation was the same, but the rig operators valued the compartmentalized benefits. There's no way we would have learned this unless we were on the ground with the business.

General Electric's (GE) healthcare unit has learned a similar lesson following an approach that it now terms "reverse innovation." The approach involves tasking local GE teams in countries like India and China with developing innovations that are appropriate for those markets. Shifting power from headquarters to the region facilitates the creation of innovations that are highly attuned to the needs of customers in those markets.

One example of the fruits of the reverse innovation approach is an electrocardiogram machine for the Indian market. The simple, handheld device was about 90 percent cheaper than existing products.

Driving these kinds of changes is not trivial. Chief Executive Officers should make sure they have mechanisms in place to increase organizational understanding of emerging markets. For example, companies can ensure that up-and-coming leaders go on international assignments. Or the leadership team can take "hands on" trips to emerging markets.

For example, when P & G executives go to overseas markets, they almost always visit consumers in their homes to get more of a feel for the market.

It is notable, and perhaps not surprising, that many success stories in emerging markets involve companies based in those markets. Not only are Western companies missing great growth opportunities, they are providing room for tomorrow's attackers to hone highly disruptive approaches. Western companies seeking to bridge the gap between the potential in emerging markets and their performance in those markets need to approach the problem differently, or suffer the consequences.

This article previously appeared in Chief Executive:
http://www.chiefexecutive.net/ME2/dirmod.asp?sid=&nm=&type=Publishing&mod=Publications::Article&mid=8F3A7027421841978F18BE895F87F791&tier=4&id=180A7ABA04EF4CD5A1E774BF9F2C2522

Strategy & Innovation *is published by Innosight, whose consulting and training services help companies create new growth through innovation. Building on the disruptive innovation frameworks developed by our founder, Harvard Business School professor Clayton Christensen, Innosight's approach and proprietary tools facilitate the discovery of new, high-growth markets and the rapid creation of breakthrough products and services. This new digital issue of* Strategy & Innovation *incorporates Innovators' Insights. If you have an issue that you would like analyzed or if you have a comment, please email editor@strategyandinnovation.com.*