

The social scientists at New York University actually have a name for this bias, which we all share. They call it **Self-Similarity Principle**. We just love to continually surround ourselves with people that are similar to us. We build our own logic bubbles that reinforce our own point of view about the world.

0:40

**This mixing of ideas and perspectives has to happen for innovation. We know that.**

2:50

If you have a vested interest in growth, you have to be interested in innovation, because it's innovation that drives growth.

3:40

All of our models of economic growth have been rooted in a scarcity model, until very recently.

4:30

**The world of things and the world of knowledge or ideas, they don't work in the same way.**

Endogenous Growth Theory – Exogenous Growth Theory

6:35

Let's start to consider innovation, knowledge, the generation of new ideas, as within our control, something that you can actually do to fuel growth.

7:00

Ideas are inexhaustible resources. . . . There is no inherent scarcity.

7:30

We define concepts as the recipes that you use to rearrange things in your organization, rearrange resources in your organization to create new value and wealth.

9:15

The world of things is about more cooking. The world of ideas, knowledge, concepts – recipes – that is important. That's the most important thing, because economic growth springs from better recipes, not just more cooking.

10:30

When it comes to innovation and innovation leadership in particular, we're stuck in this cult of personality approach. ( Steve Jobs Biography)

12:40

**I'm not asking anyone to change their personality.**

13:50

Innovation for growth is nothing more, as I said, than the willingness to take the ingredients that you have available in your organization and seek a new arrangement to make them more valuable. That's all it is. Anyone should feel empowered to do that.

14:00

**This is not a skill issue necessarily, it's an attitude issue.**

14:20

Most executives don't want new recipes. They're pretty happy with the recipes that they are using.

**Complacency sets in.** 16:00

**In psychology, this is known as being complacent with our Mental Representation, meaning the way that we're seeing the world, seeing our opportunities.** 16:05

As we know, any company or any organization that is only embracing incremental change to their ideas, their concepts, their recipes, is getting themselves in an increasingly dangerous position. Because you're on a path that becomes narrower and narrower. And it's inevitable that at some point you're going to reach the end of the path where you cannot make any more incremental change to your existing ideas, concepts, and recipes. By the time you reach the end of this path, your customers have forsaken you for new offerings. You never even saw it coming. 16:30

The biggest barrier I see to organizations trying to innovate is that they're always trying to innovate around their existing asset base, their existing strengths, their existing resources. This is known as **Path Dependency**, meaning organizations are amazing at setting up paths to follow, and those paths are built over time, so there is a sequence trap. 18:00

The difficulty is . . . when new things become available . . . we just stick them onto the end of the sequence. . . . And this is what incremental change is all about, what we should be using . . . is not just to add them on to your existing systems or organizational structures. You should be using these things to change the fundamental, underlying concepts that gave rise to the path that you're on in the first place. 20:00

No business has an optimal structure, because it can't. . . . New things are coming along all the time.

It's got nothing to do with technology. Yes, it's got tech on the end of it. **This is a mental restructuring effort.** It's not about technology. It's about breaking through from your conceptual limitations, your willingness to challenge the most fundamental, underlying decisions that gave rise to your mental representations that you hold right now and the way you mentally arrange things in order to be successful 21:00

We're starting to see the pace of disruption change accelerating in every industry. 24:30

The silicon has left the valley, meaning every business is a tech business. . . . No industry is immune.

The only time we change is when we're backed into a corner and we're faced with a crisis. 25:20

We love management by crisis. How do you do the work of crisis without the crisis? 26:00

If you're going to be the disruptive change, lead the disruptive change, you have to let go of the idea that this is going to be a comfortable process. . . . **Disruptive change is terrifying by definition.** 26:30

Most movies have them. A turning point is something that catches the audience by surprise. 29:00

Turning points don't just happen in Hollywood and entertainment. Every successful entrepreneur or disruptive leader is someone who has discovered a turning point that's changed the way that their organization is thinking about their segment or category or industry. 30:00

The longer you've been around, the longer the system of continuity. 31:00

**There is far too much emphasis in today's organizations on just maintaining continuity, and far too little emphasis on taking control of discontinuity.** 31:20

If you're only maintaining continuity, you're in an unstable system. 31:30

This is the wheel of continuity you've got going, clockwise direction. Now if you've just got this spinning, you're in an unstable situation, because the very mechanisms that maintain this continuity are great. In theory, this is known as a **Reinforcing Loop**. . . . It's unstable at some point. Things are going to change. Your customers aren't going to want it. . . . **Those very mechanisms that were growing that continuity are going into rapid reversal, and accelerate your decline.** 32:30

Every leader now has to introduce a **Balancing Loop** . . . running in the opposite direction, counterclockwise direction. **And you need both loops running at the same time.** 34:20

The skillset required for this, which is what we call **Disruptive Leadership**, is the complete opposite of the skillset required for this, which is known as a **Sustaining Leadership**, sustaining the system of continuity. 34:40

**Every leader out there has to develop a comfortable competency in moving between these two skillsets.** 35:20

Now the important part is where these two systems meet in the middle. . . . This middle part is what I refer to as **Conceptual Innovation**. . . . I always hesitate to use the word *conceptual*, because you watch people's eyes roll over. *Ah conceptual, that just means you're thinking too much and not getting anything done.* Normal getting things done is with the boundaries of what you believe is achievable and acceptable. . . .

And what you believe is achievable and acceptable depends on your conceptual limitations, the boundaries within which you're explaining everything. 36:00

**Conceptual Innovation is about using the discontinuity. . . So you're building up a portfolio of unconventional strategy options, unconventional concepts.** And these concepts and strategy options might be inconsistent, or in direct conflict, with what is currently making you successful, maintaining your system of continuity. 36:30

If I ask to see the unconventional strategy options . . . concepts and strategy options that might be in direct conflict or inconsistent with what is currently making you successful, this is barely existing, there is no formal approach to these. 38:00

**An important point is, you're not using the ideas, concepts, and strategy options available here for their utility, for their practicality.** You're not developing them because you expect them to turn into a new product or service. You're using them . . . their value is, the reason you're developing them, so for their effect on the organization's thinking. **You're using the discontinuity to trigger change in the organization's thinking.** Because the major challenge for all of us is that external circumstances, the technologies, are changing faster than our internal thinking can keep up. **Or mental models are a drag on an organization,** it's not the business model. 38:30

You are using the Discontinuity Model to challenge the existing concepts, with the potential, when the time is right, to change your existing concepts, recipes, strategy options. You can think about this as a gate, if you like . . . when you actually let those discontinuous ideas through the gate into your System of Continuity. 39:00

Getting this wheel spinning is what we refer to as **Disruptive Leadership**. It requires artificial tools to help you break out of your intuitive judgement patterns. 40:00

The best way to understand the status quo is to surface the clichés. 45:00

Interaction Clichés – Product Clichés – Price Clichés

All clichés are in place for a damn good reason. It's critical to free yourself from these concept prisons.

How many of the decisions that are influencing the way we think about our business on a day-to-day basis were based on decisions and concepts that were developed by somebody else in a different era and a different context? How many of those decisions and concepts are still valid? And how many are there for no other reason than historical continuity? 49:00

John Roth – Transcription    August 19, 2018    <https://www.youtube.com/watch?v=JPKORxTtt50>

## **Biography**

Luke Williams joined New York University Stern School of Business in September 2012 as Executive Director of the W.R. Berkley Innovation Lab and Clinical Associate Professor of Marketing and Entrepreneurship. He was previously an adjunct professor. Professor Williams is also a Fellow at frog design.

Professor Williams is a leading consultant, educator and speaker specializing in disruptive innovation. He is the author of *Disrupt: Think the Unthinkable to Spark Transformation in Your Business*. For more than a decade, he has worked internationally with industry leaders such as American Express, GE, Sony, Crocs, Virgin, Disney and Hewlett-Packard to develop new products, services and brands.

Professor Williams has been invited to speak worldwide, and his views have been featured in *Bloomberg Businessweek* and *Fast Company* and on National Public Radio (NPR).

Fractal CAB 2017 - Disruptive Leadership - Luke Williams

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# mental representations



**Luke Williams**  
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**Luke Williams**  
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# path dependent



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16:43 / 50:13

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# mental restructuring



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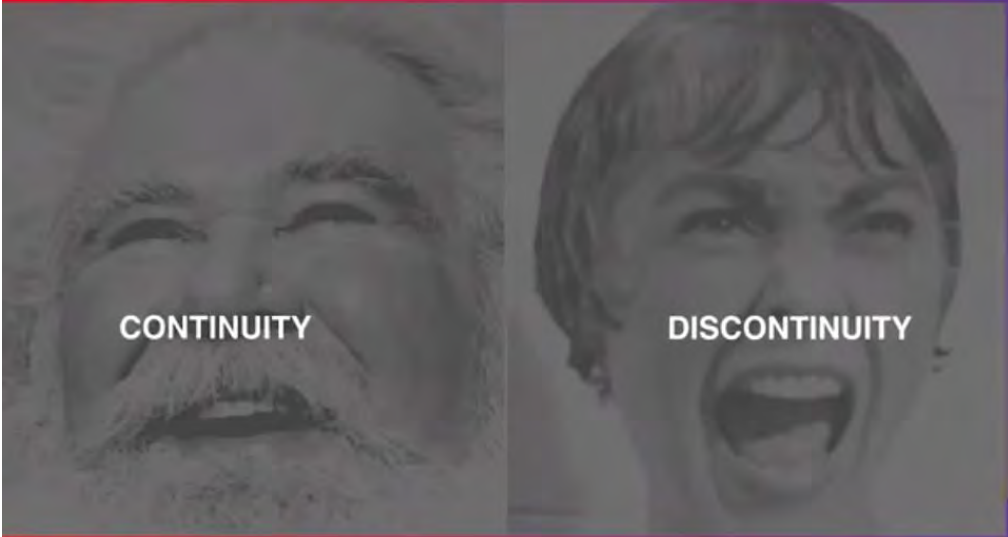
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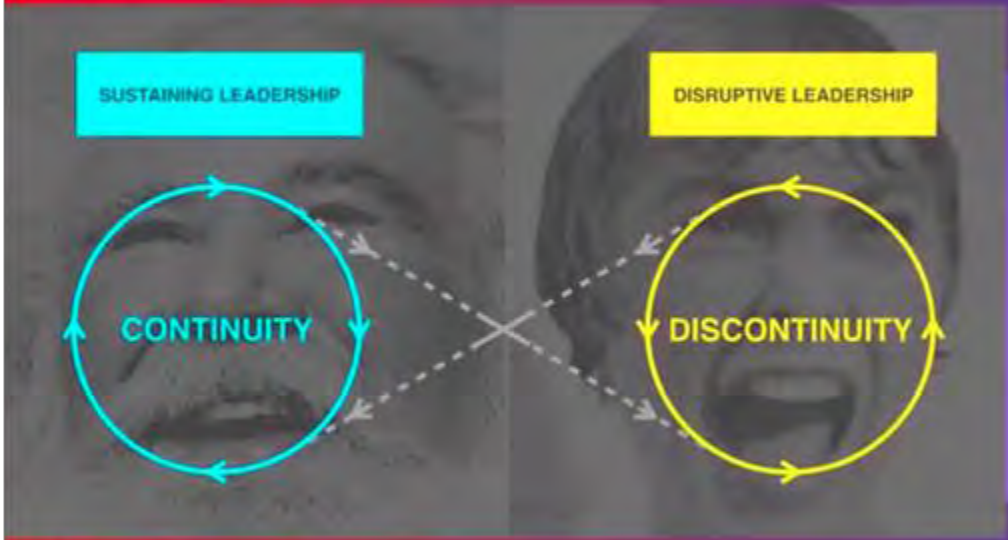


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**Luke Williams**

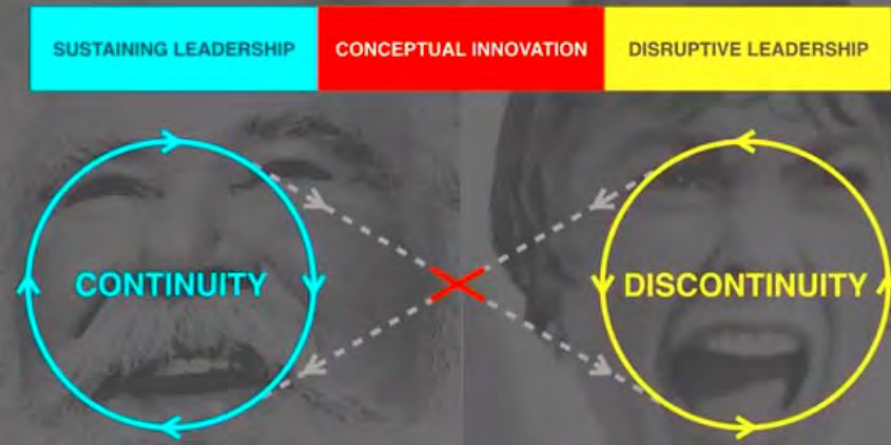
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**Luke Williams**

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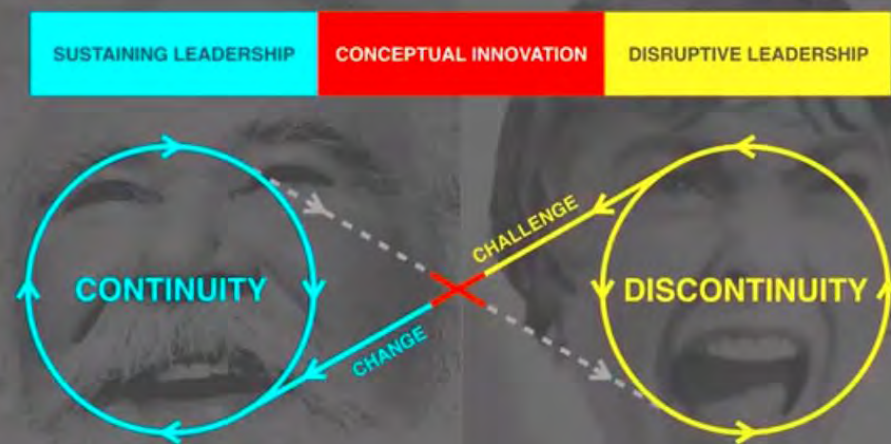
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We just love to surround ourselves and get comfortable with people that are similar to us. 4:12

This is a new understanding about how growth in a business and in an economy is generated. 7:15

The world of commodities, like things, and the world of knowledge, like ideas, don't work the same.

Ideas are subject to increasing returns. 10:40

This is a critical mindset change. 12:00

Building innovation strategy . . . you've got to find a way to increase the exchange of ideas. 13:00

The ideas that you think are successful are the ones that track best with your experience, that are most familiar to you and everything you and your organization have done in the past. 23:00

**Complacency sets in.**

Any industry that is only emphasizing incremental change in the way they are doing things is getting itself into an increasingly dangerous position. You're on a path. In psychology this is known as path dependency. 24:00

Superiority through hindsight. 26:00

**Everyone in the organization generally shares the same mental model** of the way those ingredients and resources need to be arranged in order for you to be successful. . . . The first step to seeking a new arrangement is starting to disrupt people's thinking, their mental models on how things need to be arranged. 28:15

A turning point has to catch the audience by surprise . . . by delivering something completely unexpected. . . . And turning points don't just exist in Hollywood and entertainment; they exist in business and industry. Anyone who has successfully created change, a disruptor or an entrepreneur who has successfully created change, has created a new turning point that has taken a business or industry in a new direction. 31:00

There is far too little emphasis on deliberate provocation. 32:30

Insight is about a pattern shift. This form of deliberately rearranging things that don't need to be rearranged is what we call **Disruptive Thinking**. 36:00

The analysis of data is important, but it will only ever get you fifty percent of the way. The other fifty percent has to be supplied by human imagination. 38:10

You need ideas to make sense of data. Then you've got to take those ideas and shape them into solutions.

The only way to get from ideas to solutions is running through lots of low cost pilots, seeing what works. And finally you've got to convince others you expect to make the change, whether they're internal or external stakeholders, that the advantages to making such a change are clear. . . . People don't embrace change just because it's innovative. **Disruption for disruption's sake is just annoying. It has to deliver value.** The only way you're going to convince them is by selling benefit and not novelty. 39:00

**Clichés are the widespread beliefs that govern the way people think about business in a particular space. Another term for cliché is best practices.** 40:00

What are the interaction clichés . . . product clichés . . . price clichés?

**If you want to start encouraging people to think differently about an interaction, you have to start breaking down the cliché units.** 46:00

The more seemingly natural the assumptions, you think about your project, your relationship, your business . . . the more obvious the assumption you're making, the easier it is to ignore the fact that you're making it. You have to surface the clichés. 47:00

The whole point to disruptive thinking is paying attention to things that are normally ignored and not obvious. 49:20

How many decisions that are influencing the way you think about your business and industry, the way you manage projects, how many of those decisions were made by somebody else in a different age and a different context? Only after surfacing them will you then be able to work out which ones are there because they're still valid and which ones are there for no other reason than historical continuity. 52:30

**The Disruptive Thinking comes first.** Then you go out and experience the context, to see if it has sense.

<https://www.youtube.com/watch?v=qJIM5T-fvt4>