
IBS International Business School Budapest

MIB Skills for Business Analysts

Home Assignment

Disruption Project

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Introduction

If you have ever faced a popular or new trend app or tech that has overused recently, you are probably facing a “disruptive”. We can find it in business innovation section mostly. Understanding disruption definition would be able to let us build a strong innovative brand and even help us with business innovative procedure.

What is disruption?

In business strategy aspect, “disruption” refers to a process when small companies enter to the market with a non-conventional business method, although it looks like they would be weak and underestimated, they actually come to challenge the market products or services and finally replace market during time. In other word, it’s a procedure that an underestimated or unexpected product or service start to become trend enough to replace or displace a conventional product or service on the market.

Therefore, till here we could find out that there is an innovation in disruption. The unconventional product penetrates the market at the bottom and starts from the very beginner level. However, over time, and also due to different competitive advantages such as lesser costs or higher availability, the product indeed becomes much more attractive than its own rivals on market. Typical traits of disruptive innovations are much less than gross margins or minor target industries and etc.

In order to seize a better understanding of this issue, it would be extremely useful to watch for real-case samples of business disruption and try to analyze them whether the term was suitable or not (Anon., 2020).

A survey on disruptive companies and their critical assessment

Netflix

Streaming services like Netflix are the disruption in the entertainment markets. It may have been told that this disruption is still ongoing and it had influenced the video rental stores extinction and also the reason of cable subscriptions cancellation all over the world.

In order to get rid of rental videos due dates (VHS) and late fees, Netflix started a DVD rental by mail. About a year later, they could succeed creating subscription service. We should consider that moving forward to subscription for Netflix was a new era for retention. You should live every day for satisfying your customers. According to Marc Randolph, co-founder of Netflix, if you are not willing to disrupt yourself, you are leaving yourself wide open for someone else who will do it for you. He explained that you can’t ignore what is right for your customers without having courage to accept that it might impact your business (Brahmawar, 2020).

However, after around 10 years of streaming, Netflix’s unchallenged time is over. Studios which were helping Netflix’s service content, now going online and we can talk specially about Disney+ stream which is followed by Marvel, Pixar, Disney, DC and etc. Therefore, in some years, customers will have to pay 3 times more each month to take what the other one has got subscription from Netflix. The threat for Netflix about other streaming services specially Disney+ is that with losing its most important programs which had most views and plays, it begins to look just like the other services (No competitive advantage and significant difference). We can understand that nowadays, viewers chase the content rather than channels. Netflix, the major media disruptor, is on the verge of disruption. When the most markets are facing disrupted

situation, instead of looking at the new opportunities identified by the disruptors, they dreadfully stick to the deep-rooted way of burden business. Netflix has to prepare something it has never done beforehand: fight for its customers and realize that it may not control more of the market in the future (Cole, 2019).

Dilemmas

According to PMI's global megatrends in 2022, we observed that how digital disruption is making companies restructure their business models to turn it into a competitive advantage. These tips will help project professionals thrive amid ongoing digital uncertainty (Global megatrends, 2022).

1. Embrace technology
2. Lead with strategy
3. Harness creativity
4. Take risks
5. Develop leadership skills

Joshua Gans (2016) in his book described disruption as a marvel that happens "when successful businesses fail because they continue to make the choices that drove their success". He believed that disruptive events come from two sources: demand as "low-end market" and supply as "a new architecture" while Christensen explains that disruptive events as being the result of their rational choice not to adopt a "low-performing" tech that is not desired by current customers.

Driving into this road, we can explain our observation about failed cases in the past in disruption specially in the mobile phone industry. We would also think about predicting disruption as a leader, but we should consider that hesitation is inherent in disruption. It is extremely hard to predict a new entrant of market that whether it reaches the standard required by customers or not. This uncertainty is exactly what creates a dilemma for employees which is should we react to these events that maybe turn out to be disruptive, especially when we have to abandon the previous choices that made this business successful? Gans highlights the benefits of "wait and see" as a response to uncertain disruption as well as the role of holding key complementary assets as protection against disruption (Gans, 2016).

Gans offered two options for react to disruption and manage it as much as possible.

1. Struggle by "doubling-down" (such as hostile venture in new techs) and by "doubling-up" (like alignment with the trying of disruptor rivals)
2. Cooperation by "buying-up" (acquisition of disruptor)

A company have to make an autonomous unit to contend on a same basis with disruptor in the market. In other word: separation. This strategy needs courage and taking risk, as we could observe in the case of IBM and BlackBerry that shows separation can postpone disruption instead of solving it. The reason is that top management must handle the problem of coordination and conflicts between new separate entity and rest of the company (Gans, 2016).

We are able to discuss even about an alternative strategy such as integration. Gans showed that integration can be an efficient and useful reaction to forecast the risk of disruption because the continuous organizational evolution has been involved that allows firms to assimilate emerging innovations. Integration improves the development of a better situation for architectural information and facilitates its growth during the evolution from technological generation to the next one. However, due to this response, we will be faced with another dilemma; short-term leadership

enabled by developing sectional information (such as separation and specialization) and in the opposite side, long-term sustainability allowed by emerging architectural knowledge as we could reach in integration (Gans, 2016).

Some of effective disruptors has been shown in following to develop our innovation skills (Fisk, 2017):

- **Breaking the rules:** it could be found in Airbnb's house sharing which broke the written rules in that time. It begins by setting current rules (conventions, behaviors, regulation) and then finding a way to break and reset it.
- **Thinking exactly opposites:** we can name some companies such as Ugly's modelling agency, beats headphones and etc. this is the easiest creative way for this matter. Just have to find all the features of the industry and then, reverse it all.
- **Unusual combinations:** we can mention that innovation has been described as creating unusual relations.
- **Find new audiences:** we can mention the Nintendo for seniors, like blue ocean strategy, looking for unserved customers, and after that, finding a way to reach them.
- **Give it away free:** Skype's videoconferencing and Spotify's streaming music were the best examples for this matter. You would think about making the core product free and looking for other ways to make money.
- **Make it virtual:** following Amazon's kindle, digitalizing the total experience can be very interesting for customers as the physical constraints would be removed.
- **Border crossers:** BMW iDrive could be a perfect example for this case. In this technique, learning from other sections and markets where customers already adopt those new ideas would be so accessible and sufficient.
- **Develop the ecosystem:** Nespresso's pod system or devices for Nike brand and Appstore are the perfect samples for this case. Harness the power of networks, a open system which is connect to all partners, devices, suppliers and customers.
- **Creating a new business model:** Netflix used this method for personalization which had the most impact. Resetting the business model could work actually sometimes. It can include supply and demand or even revenue and cost.

Business rules analysis (technique)

The goal of using this method is recognizing, expressing, validating, refining and organizing the rules that shapes the business behaviors and directing operational business decision making in companies. Definitional rules show something true or false necessarily about the concept, in contrast to behavioral rules, which describe people's behaviors. For instance, "a customer is a preferred customer if they place more than a number of orders per month" is a definitional rule that shows how information may be derived (Brennan, 2006).

Due to facing disruptors or implementing disruption in the market, we can violate the behavioral rules in order to changing the organization reaction to crisis. They can be override by the authorized actor with explanation with no active enforcement. In time, when a wide engine company use it, they can change the business rules as fast as possible. Business rules create a structure to govern business behaviors.

There are some limitations in this approach as well. Companies may supply deep lists of obscure business rules. Business rules can contradict each other or produce unpredictable results if

combined, unless validated against each other. If the existing vocabulary is not rich enough, is not suitable for business, or is poorly defined and organized, business rules will be inaccurate or contradictory (Brennan, 2006).

SWOT analysis

The goal of this analysis is to assess a company's strength, weakness, opportunity and threat to internal and external conditions and environments. It helps the company to identify its condition in internal and external market.

Netflix

Netflix should start watching out of its business in survival mode, as we know that success in today business is no longer definite. Disney can compete with Netflix's shared base in 12 to 24 months, and takes the benefit of using its content in theme parks, retail, and more to seize much more synergy than Netflix. With following these steps, it may remain "a" leader in the market (Cole, 2019):

1. Produce more memorable and quality content
2. Start paying or sharing its revenue with the best content makers
3. Stop cancelling series in the middle of productions
4. Think about advertisement as a way to bring down the costs

Netflix SWOT analysis

- **Strengths**
Exponential progress, Brand status, Global customer base, originality, adaptability, customer-centric service, affordable price, award-winning shows (around 160 nominations)
- **Weakness**
Limited copyrights, increasing debt, Lack of green initiatives, rigid pricing, over-dependence, support shortage, raising prices and operational costs
- **Opportunities**
Low-price mobile streaming option, exploit ad-based mode, expand global customer base, refresh content library, alliances, niche marketing, introduce cheaper annual subscription, support black educational institutions
- **Threats**
Competitive pressure, government regulations, piracy, market situation, account hacking, carbon emission, government pressure due to capacity issues.

Conclusion and Recommendation

We can recommend on the SWOT analysis for Netflix as a highlight in the end of this survey where the brand presently stands and the mentioned threats which are getting closer every day.

- Tap **new positions** by associating with their home-grown cable providers and broadcasting their local content as well as international content in different languages. In this way, more profits and subscribers will be gained.
- Netflix should try **connecting with IMDB, Rotten Tomatoes**, and other internet services to offer a changeability of evaluations another information for their users.

- To escape digital piracy, Netflix should **strengthen their security** and picture whoever is behind digital. They can also afford even more generous subscribing packages for disparate economic classes.
- Expand their application and website by providing a **more user-friendly interface** for their contributors.

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