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THE DEVELOPMENT OF A DISRUPTIVE INNOVATION
RESPONSE FRAMEWORK WITHIN THE SOUTH AFRICAN
INSURANCE CONTEXT:
ADAPT, REGENERATE, TRANSCEND (ART)

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**The development of a disruptive innovation response framework
within the South African insurance sector context: Adapt,
Regenerate, Transcend (ART)**

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Abstract

Companies, nations, governments and multilateral organisations are each in their context recognising that 20th-century approaches to innovation and competitiveness are no longer relevant or effective – with whole industries and economies challenged by the fast-moving and disruptive forces of 21st-century technologies that enable unprecedented innovative capability. The rate and scale of change and disruption calls for innovation thinking more suited to a world highly connected and networked and rapidly redefined by global digital architecture and alternative forms of value exchange, value creation and capture enabled through networks, platforms, and innovation ecosystems.

For a mature industry to navigate potential disruption on this scale and possibly direct disruptive innovation of its own, will require a dramatic departure from innovation and business as usual. Christensen (1997) posits that disruptive innovation is the only way for incumbents to maintain market leadership and secure future growth. So how should mature firms respond to disruption, and which strategies are effective to become disruptive too?

I undertake a grounded theory study into how specifically, the insurance industry (life and health), navigates disruptive influence and plans to become disruptive too. My analysis of the literature and the research findings has led to the development of an Adapt, Regenerate, Transcend response strategy framework, the ART framework, which describes these three broad response strategies and a further set of sub-strategies, that answer the question of how firms respond to disruptive influence and become disruptive too.

The ART framework is my contribution to the work on disruptive innovation response strategies. The framework shows how incumbents can apply one or more of these three broad strategies to suit their objectives. The adapt response strategy, a short-term, defensive or opportunistic strategy, aims to extend lifecycles and fend off disruptive challenges. The

regenerate response strategy is an expansive, increasingly inclusive, and transformative hybrid strategy that seeks to extend lifecycles and pursue new growth opportunities that might transform the core business over time to become disruptive too. The transcend response strategy is an original and disruptive strategy where the lead firm partners to reframe and reinvent an industry through a collectively directed value proposition that creates an entirely new playing field.

Using the ART framework, I also show how disruptive innovation is an inclusive innovation strategy and how the framework applies to and is of use in the context of inclusive and sustainable innovation. In doing so, a new meta-innovation concept of generative innovation emerges, which the framework begins to describe broadly and which I propose as an area of future research.

Keywords: response strategy, adapt, regenerate, transcend, disruptive innovation, inclusive innovation, mature industry, sustainable innovation, generative innovation

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Dedication

To my mother, whose unwavering support and love keeps me sailing to new shores calling.

To my children, Lauren and Kyle Walbeck, who are my inspiration.

To Dr Badri Zolfaghari, who has cultivated in me a love for academic adventure.

To the shapers and makers of the next inclusive, compassionate, and generative wave.

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Chapter 1: Introduction

"People's foundations are shaken everywhere, and because of that unsettled nature of the world, people find it difficult to find direction. The world has always been uncertain, but to some degree you could extrapolate the past into the future to give you some kind of guidance of the kind of direction that the world can develop into. That has changed like the nature of uncertainty, where past conventions don't hold any clues to future direction. It's not clear where we are going, so you have to have a number of lines in the water to respond appropriately"¹ (Amos, 2016a).

1.1 A research study raises the question of how can the insurance industry navigate disruptive influence, and become disruptive too?

A practice-based global insurance industry study using semi-structured interviews with insurance industry leaders in 2016 (Amos, 2016a) and 2017 (Amos, 2017) for Gen Re, a global reinsurer and a member of the Berkshire Hathaway group of companies, revealed widespread directional disorientation among local and global insurance industry leaders who acknowledged that traditional business models are increasingly at risk of becoming obsolete in the face of disruptive innovation. The views of these industry leaders are quoted throughout this introduction for context to the problem setting and interviewee identities are noted in footnotes.

The industry leaders interviewed recognised that disruption could arise from within or from outside the insurance industry, but more critically, that disruption could present itself through their most valuable asset – the customer.

¹ Anton Geldenhuys, Head Risk & Capital Management, Sanlam

"We are faced with a number of challenges that most insurers are not actually geared to handle at this point, purely because I think the customer is the disruptor. The way the customer behaves towards product, commoditised products is changing. They are going to decide what happens in the industry. We love using words like customer centric, and we are not. We are very stereotyped from a risk management point of view"² (Amos, 2016a).

Armed with new digital powers, data, and expectations, customers are rapidly entering the value creation and capture process, along with young, ambitious tech start-ups with 'open-source' mindsets – challenging the innovation territory previously claimed as the sole domain of the firm.

The global research highlighted a surge in the search by insurance incumbents for new innovative partnerships beyond the firm and industry boundaries and beyond familiar value propositions. Industry incumbents are experimenting with a mix of innovative initiatives or a portfolio approach to innovation and investing in start-ups as research and development projects.

The research confirmed too, how technology has opened up a new landscape of opportunity for the insurance and financial services industries, not only in terms of access to new markets but also in terms of new value proposition expectations, constructs, and delivery.

"It used to be that only very few people had access to computer power.

Supercomputers of yesterday were only available to very few with significant funds, and then we got personal computing power, and that circle enlarged, and then we got mobile computing power, and then the circle enlarged. However, then something else

² Karen Viljoen, PPS, Johannesburg

significant happened. It wasn't just that the circle enlarged but that those who reached mobile computing technology didn't ever have a personal computer or a supercomputer. So, we can't even think of it as an extension of a market but rather the creation of an entirely new market, and that requires, not an extension of banking and insurance services and products, but the creation of an entirely new model to serve this segment of customers and the jobs that need to be done”³ (Amos, 2017).

Building on the idea of reimagined value propositions that deliver to the new 'jobs-to-be-done', the research also suggested the industry, in this new context, has the opportunity to shift its focus from risk management and protection to risk prevention and life-empowering products and services. This shift is akin to the automotive industry shifting from a manufacturing of automobiles mindset to a mobility solution mindset.

The explosion of data was identified as a game-changer. Customers now know more about themselves than the insurance industry, which was never the case before, and the rise of the concept of the 'quantified self' has presented new possibilities for not only managing risk but eliminating it too. The research suggested the time has never been better for the industry to make this 'life-empowering' shift and reimagine its purpose in this emerging new context.

New value propositions requiring a wider range of skill and delivery have encouraged incumbents to enter emergent innovation ecosystems for this co-delivery. The research has also identified how in search of delivering to the new jobs-to-be-done, industry incumbents, start-ups in the entrepreneurial ecosystem, and other non-industry actors are exploring innovative partnerships and open business models to co-create solutions in response to this new opportunity. Platform models and partnerships with large internet companies like

³ Arian Lewis, CEO Barclays Rise, New York

Alibaba, Tencent, or retailers and telecoms, are actively pursued. In Asia, in particular, the research identified ambitious entrepreneurial effort and a more extensive drive across the industry towards more deliberate ecosystem innovation.

A linear view of incremental innovation can no longer hold against the force of the combinatorial ecosystem and digital innovation that tends to enjoy global reach.

"If you improve your performance linearly, you fall behind exponentially. In exponential times, if you just think things are going better and better, but you're staying on course, you fall behind exponentially. At some point, you are just falling off the cliff, even though it felt great. Think Blackberry. Blackberry grew tremendously after the iPhone came in, but the world was moving away from it. They didn't understand they were on a 'going-out-of-business' trajectory"⁴ (Amos, 2017).

The research also highlighted the need for a different quality of leadership to navigate this disruptive landscape and to lead at a very different innovation frontier. Questions of sense-making, discontinuity, and reorientation arise. The real leadership challenge in times of disruption lies in managing the discontinuity and reorienting an organisation for a different future, a transition Professor Greg Le Blanc of HAAS School of Business suggested is a much bigger leap – “one that requires a lot more vision and a lot more leadership”⁵ (Amos, 2017).

The research also highlighted the leadership challenge of the dynamic tension between operations and innovation but offered no solution to resolving or optimising this tension.

"That is quite difficult for a senior management team because they still need to focus on getting this existing stuff done; hence it is also important to us to set it up separately.

So, that was one of the big learnings to create separation from the existing business and

⁴ Herman Gyr, Co-Founder Enterprise Development Group, San Francisco

⁵ Professor Greg Le Blanc, HAAS Business School, San Francisco

thinking. It remains a challenge. I think the other big challenge for us is how we bring some of this knowledge back into the existing business, and that also takes time. It takes time for people to absorb change and to think about it because they are so busy day-to-day"⁶ (Amos, 2017).

1.2. How can a mature industry overcome and drive disruptive influence?

So how do hierarchical, command-and-control business models of the 20th century adapt to compete in an increasingly networked, digital, and a more collectively determined 21st Century world? How do incumbents in mature industries innovate and transform, to not only compete, but also to lead the new wave of innovation? Where do they turn to for direction in this new territory, for sense-making and strategic choice, as they plan to compete at this evolving innovation frontier? Is it at all possible that a mature industry has a place in this race and a chance at succeeding at this frontier? The Gen Re Global Research Study (2017) suggested it does.

"Innovation is not the sole domain for start-ups. By rough estimates, if you look at the value created, true innovation in the world, maybe half of it comes from start-ups, maybe half comes from incumbents. So, I'm a big believer in the idea that large incumbents have assets that, if properly harnessed, would create opportunities, not just to create new value propositions or new channels or new digital, but truly to redefine what is the job to be done and deliver that now"⁷ (Amos, 2017).

While the global and regional perspectives presented by this research were thought-provoking and provided a useful framework for seeing and understanding a shifting landscape (see table 1), there is little substantive evidence in this Gen Re research to answer

⁶ Jaco Oosthuizen, ex-Chief Exponential Officer, Exponential Ventures, MMI, and now Cofounder and Chief Insurance Officer, Yulife

⁷ Zia Zaman, Chief Innovation Officer at MetLife Asia, Singapore

the question of how does a mature firm navigate these disruptive influences, or how does it transform to define a new competitive playing field and become a disruptor too?

Table 1

Core themes arising from The Gen Re Global Research Study (Amos, 2017)⁸

Disruption drivers	Impact/opportunity	Incumbent Response
<ul style="list-style-type: none"> • Technology (Combinatorial, exponential, non-linear) • Data explosion 	<ul style="list-style-type: none"> • Customer power through technology & data • New market accessibility • Jobs-to be-done: the work of the new value proposition • Global & systemic influence and impact • New leadership skill: sensemaking & leadership of discontinuity & reorientation 	<ul style="list-style-type: none"> • Entrepreneurial search & experimental innovation portfolios • Separation of innovation and operations • Exploration of co-creation through innovation networks, platforms, and ecosystems

Extant literature presents concepts and frameworks in specific domains, for example, innovation, inclusive innovation, entrepreneurship, and institutional entrepreneurship, open business models, ecosystem innovation, marketing theory, institutional theory, actor-network theory, strategy, and leadership. However, nowhere do we find an integral framework that presents strategic choices for a mature industry to: (1) optimise lifecycle extension opportunities in the face of disruption and (2) reinvent or reframe for the future and hence become challengers/disruptors too.

This gap is recognised by Christensen et.al (2018). They note that while the work on disruptive innovation theory helps us understand when and why disruption occurs, when it comes to what incumbents should and could do about it, this theory comes up empty-handed. The “how do and should firms respond to disruption, and which strategies are effective” is the question to be answered (Christensen, McDonald, Altman, & Palmer, 2018).

⁸ Unless otherwise credited, all tables and figures are original to this dissertation.

The absence in the literature of this integral framework to guide strategic response to disruptive influence, points to an opportunity to not only thread existing insightful elements of extant literature into a helpful framework but to also expand on this through further research, to add value to the extant literature and to apply in practice. To address this gap, I will, in this dissertation, investigate the literature for evidence of elements of a potential response framework and compare this with a framework emergent from a grounded theory study that seeks to understand how a mature industry, specifically the insurance industry (life and health) in South Africa, is responding to potential forces of disruption and how it is organising to be disruptive too. The investigation of extant literature and the grounded theory research findings contribute to the development of an integral disruptive innovation response strategy framework - the Adapt | Regenerate | Transcend (ART) framework, which answers the question of how a mature industry could navigate disruptive influence and become disruptive too. This framework is my contribution. Using this framework, I will also show how disruptive innovation is an inclusive innovation strategy and I will uncover a meta innovation concept of generative innovation that reveals a collective capability able to achieve an inclusive and transformative agenda.

My dissertation proceeds as follows. In chapters two and three, I investigate the literature for evidence of a response framework or elements that could contribute to such a framework. Using Christensen's (Christensen, 1997) and Christensen and Raynor's (2003) disruptive innovation theory as a starting place, I then explore the contribution of other scholars that expand on this work. In chapter three I search the literature for trends and evolutionary shifts that cause or contribute to disruptive influence and, as a result, inform response strategies too. The result is an emergent response framework informed by the literature.

In chapter four, I outline my research design, data collection and analysis, and strategies to improve rigour. In chapter five, I present my findings, beginning with an introduction to the context for disruption in the insurance industry in South Africa, and then present how actors are organising in response to disruptive influence and ambition and how these approaches contribute to a strategic response framework. In chapter six, I compare and combine the framework emergent from the literature with that emergent from the research. I reflect on this integral perspective, exploring further how this framework might be helpful to a mature industry seeking new relevance and breakthrough in the world. I also explore how this framework challenges our current understanding of both inclusive and disruptive innovation. In this exploration, I present a meta-concept of generative innovation - a collective innovation perspective that has a transformative effect. I also discuss the practical implications of my findings, the limitations of my study and propose areas for future research. Finally, in chapter seven, I conclude my dissertation.

Chapter 2: Theoretical background - setting context

“No innovation is inherently disruptive” (Christensen et al., 2018, p.1050).

2.1 Introduction

In this chapter I explore the literature in search of elements that could contribute to a theoretical response strategy framework that can anchor and guide the research. I start at the core with Christensen's theory of disruptive innovation (Christensen, 1997; Christensen et al., 2018; Christensen & Raynor, 2003), as it is the most seminal work by any scholar on the subject. Christensen and his critics help shape the overarching bones of such a framework and provide some of its detail. In chapter three, however, I continue this investigation into the literature to set this emergent framework in the broader context of other theories of agency, institutional work, organisational change, strategy, leadership, actor-network theory, open and ecosystem innovation, leading up to the full definition of the research question that this thesis addresses.

2.2 Disruptive Innovation Theory as a starting place

In *The Innovators Dilemma* (1997), Christensen describes how large, successful incumbent organisations across all types of industries were challenged by smaller new entrants who succeeded by developing cheaper, inferior, but good-enough solutions for niche markets that were of little interest to successful incumbents. This low-end disruption then allowed these new entrants to gain a foothold in the incumbent's domain while incumbents were prioritising sustaining innovation - incremental innovation along performance criteria attractive to its mainstream customers. Disruptive innovation, he posited, was the only way for incumbents to maintain market leadership and secure future growth.

Low-end disruptions are a direct example of what economist Joseph Schumpeter in *Capitalism, Socialism and Democracy* (1942) termed creative destruction. They create a step-

change cost reduction within the industry, but it is achieved by entrant firms destroying the incumbents. New-market disruption, in contrast, entails a period of substantial creative creation – new consumption – before the destruction of the old occurs (Christensen & Raynor, 2003, p.70).

I have selected disruptive innovation theory as defined by Christensen (1997) and Christensen and Raynor (2003) as the starting place and central point of reference in this literature review. I have done so as it presents the most seminal literature on disruptive innovation theory to date. This disruptive innovation theory, in my view, is most relevant to a mature industry response to disruptive forces and potential and, therefore, holds significant insight into the question posed. The strength of Christensen and Raynor's disruptive innovation theory is that it defines the key principles for disruptive innovation, so much so that it has reasonable predictive success. In terms of the integrated conceptual framework, it provides an orienting grid that allows for the inclusion and expansion of other scholarly work and contributions.

Disruptive innovation as a concept is widely used in business, academia, and mainstream media. Writing on the subject has increased exponentially, often with the indiscriminate use of the terminology 'disruptive innovation' as a synonym for any new or generic threat to established business, obfuscating the task of building a coherent theoretical concept of disruption and disruptive innovation as a robust guiding framework for strategic consideration and application (Christensen et al., 2018).

While Christensen and Raynor's disruptive innovation theory is significant and helps us understand when and why disruption occurs, when it comes to what incumbents should and could do about it, it has little to propose. However, scholars have identified several additional strategies for dealing with disruption and becoming disruptive too. In response to

this criticism, Christensen et al. (2018) propose three novel topic areas for research to enrich and extend disruptive innovation theory, namely, response strategies, performance trajectories, and innovation metrics.

It is the first area of research opportunity, that of disruptive innovation response strategies, that aligns with my research question and the one I wish to address in this literature review and my research.

2.3 The ‘Sustaining, Hybrid, Disruptive’ innovation spectrum

Christensen and Raynor (2003) create a distinction between sustaining and disruptive innovation. However, the natural tension in this hybrid of sustaining and disruptive strategies (Gilbert, Eyring, & Foster, 2012), sets up a more interesting and dynamic space. Uhl-bien and Arena (2018) refer to this as an adaptive space that calls for 'organisational ambidexterity' to manage conflicts arising from pursuing different types of innovation simultaneously (Probst, Raisch, & Tushman, 2011). Christensen and Raynor (2003) note that it is here, in this adaptive or ambidextrous space where incumbent leaders lack skill and fare badly. This spectrum - sustaining, hybrid (exploitation and exploration), and disruptive - provides the organising frame of a conceptual framework that accommodates a broad range of mature industry response strategies to disruptive influence and opportunity.

Sustaining innovation, as described by Christensen and Raynor (2003), is by nature an 'adaptive response strategy' where the focus is to extend market leadership and enterprise longevity and fend off disruptive challenges through innovations that keep it competitive, profitable and attractive to its existing market. Adner and Kapoor (2016) also note the product extension imperative to remain competitive when new challengers enter the market.

Disruptive innovation is relative, and what may be disruptive to one organisation may be sustaining to another. So, for an idea to be truly disruptive, it must be disruptive to all

incumbents – to an industry at large. Therefore, disruptive innovation, as described by Christensen and Raynor (2003), is a 'transcend response strategy.' Here the focus is to create new engines for growth in the long term that open up new competitive territory and new markets that enable the incumbent to transcend the current competitive arena and create radically new competitive conditions.

Christensen and Raynor (2003) propose that where a disruptive innovation fits neither the incumbent's existing processes nor its values, this mandates the creation of a separate, autonomous structure for success. This separation is necessary to protect the disruptive innovation from the conflicting influences of the incumbent firm. Tushman and O'Reilly (2002) disagree and argue that to succeed in the long term, organisations need to compete in mature markets on the basis of cost and quality and in new markets on speed and adaptability. To do this, incumbents need to manage these multiple alignments through ambidextrous structures that have several distinct alignments simultaneously.

This hybrid approach is, therefore, a regenerate response strategy. Here the focus is to optimise the growth of the existing business, to defend against disruptive forces and delay emergent challenger market entry, while simultaneously investing in new growth businesses and proactively optimising the synergies across this diversity of focus. In this dual innovation process, there is an opportunity for the incumbent to learn and adapt through innovation and an opportunity for renewal within the core business, thereby potentially altering the future trajectory of the core business too (Gilbert, Eyring, & Foster, 2012).

“Christensen et al. (2018) acknowledge the value of a hybrid response strategy.

Furr and Snow showed that intergenerational hybrids helped incumbents maintain market leadership over competitors in the new technology. Under certain circumstances, they conclude, hybrid offerings constitute an effective response

strategy: re-combinations serve as 'stepping-stones' that allow incumbents to improve their existing technology while learning and adapting to an uncertain new technology” (p.1063).

Drawing on the work of Christensen and others (Christensen, 1997; Christensen et al., 2018; Christensen & Raynor, 2003) I outline the profile of sustaining, disruptive, and hybrid approaches to innovation, and then build on these profiles by including the work of other scholars in chapter three.

Sustaining	Hybrid	Disruptive
<i>Adapt response strategy</i>	<i>Regenerate response strategy</i>	<i>Transcend response strategy</i>

2.3.1 The profile of sustaining innovation: an adapt response strategy

(Christensen & Raynor, 2003)

Sustaining innovation is predominantly firm-centric, has a short-term horizon, and is aimed at quick wins that secure growth and profit to satisfy shareholders and the market. The innovations are easily integrated into core operations to either enhance efficiencies or improve customer access, experience, and profitability. As challengers enter the low-end of the market, the firm moves to optimise margins in the higher end of the customer and market spectrum.

The natural inclination of incumbent business managers is to build on the known - to execute deliberate strategy focussing on what works, or an improved understanding of this. This is appropriate when the competitive landscape is clear enough that strategy can be deliberately conceived and implemented. The firm's value proposition is transactional, product and service-centric and most likely transitioning to digital. The customer and market are defined by their attributes – attributes that make them more likely to buy the firm's

products and services. Solutions that allow for greater inclusion or new markets are not on the agenda as these early niche opportunities do not offer the firm the comparable growth and profitability at scale that the core business and existing market promise. The sustaining innovation projects are most likely to be driven by middle managers who motivate and mobilise for resources. This level of management, therefore, is a key shaper of the innovation effort of the firm.

“A good portion of middle managers' effort is spent winnowing the full amount of information into a particular subset that is required to win senior approval for projects that middle managers have already decided are important. Initiatives that do not make sense to middle managers rarely get packaged for the senior people's approval. Senior executives envision themselves making the big decisions, but in fact, they most often do not” (Christensen & Raynor, 2003, p.70).

Sustaining innovation of a breakthrough nature that fits the organisational values but presents different types of problems to solve and new types of interaction and coordination among groups and individuals warrants a heavyweight project team to lead. In contrast, lightweight teams or functional teams exploit existing processes.

In sustaining innovation, the bias is towards emphasising and exploiting core competence. Christensen and Raynor (2003) note that this happens even though in the long term, this is a dangerously inward-looking response. Competitiveness, they say, is far more about doing what customers value than doing what you think you are good at. I refer to this optimisation of core competence as a 'leverage sub-strategy' to the higher level adapt strategy.

Christensen and Raynor (2003) also note that managers often choose to acquire rather than develop a set of capabilities and that companies' track records in developing new capabilities through acquisition are frighteningly spotty. This spotty track record, they say, is

because these firms do not fully understand that the acquisition's unique values, processes, and resources give it its unique edge. In the process of integration, there is pressure for the acquisition to relinquish its uniqueness. By doing so, the acquiring firm loses the advantage the acquisition presented in the first place. I refer to this acquisition response to disruptive challenge as an 'acquire sub-strategy' to the higher level adapt strategy.

While sustaining innovation is defined as a firm-centric response to disruptive threats, it is also a response to counter an emerging competitive ecosystem, where a firm may look to extend old technologies or competencies while the emerging ecosystem challengers work to overcome obstacles to market - upstream (component innovation challenges) and downstream (complement innovation/market access innovation challenges). This ecosystem perspective is explained in more detail in chapter three, but in the context of the adapt response strategy, as long as the emerging ecosystem is challenged, sustaining innovation is viable in the short term (Adner & Kapoor, 2016). When barriers to entry diminish for the emergent challengers, the incumbent has to consider a regenerate, or transcend response strategy. I refer to this adapt response to disruptive challenge as a 'defence sub-strategy' to the higher-level adapt strategy.

Table 2 sets out a summary of the elements of the adapt response strategy and its sub-strategies. I will expand on this table in chapter three.

Table 2

Adapt Response Strategy abstracted from the work of Christensen and Raynor (2003)

	<i>Adapt</i> (Sustaining)
Strategic intent	Extend lifecycle & defend market position
Institutional Scope	Firm-centric
Priority & horizon	Growth & short-term performance
Strategy	Deliberate
Market focus	Current markets and customers
Innovation focus	Incremental improvement
Value proposition	Transactional: products and services oriented but going digital
Innovation leadership	Middle Management: advocating/mobilising Heavyweight teams: Solving new problems and designing new ways of working Lightweight teams: Optimising process
Resource focus	Exploit core competence & acquire rather than develop new capabilities
Challenges	Retaining acquisition uniqueness
Response sub-strategies	<i>Leverage</i> : core competency & technology <i>Acquire</i> : own new competitive competence <i>Defence</i> : extend technologies to hold off challengers

2.3.2. The profile of disruptive innovation: a transcend response strategy

The search for and development of disruptive innovative opportunity lies beyond the incumbent firm, its field of knowledge and competence, and its familiar markets. Disruptive innovation forges new value networks that create a divergent context for consumption and competition. These value networks focus on either new customers who previously lacked the money to buy the product or the skills to use it, or new situations in which a product can be used through improvements that yield simplicity, portability, and affordable cost. Here, the new value network overcomes non-consumption, rather than competing with incumbents. Impatience for profitability and patience for growth are the hallmarks of effective nurture and development of disruptive innovation in these new and low-end niche markets (Christensen & Raynor, 2003).

Gilbert as cited by Christensen et al. (2018) notes that threat framing disruptive innovation is more effective in securing resource support within an incumbent firm than

opportunity framing the innovation. Yet, despite the support for disruptive innovation in a threat framing context, the innovation faces the same internal inertia towards innovation in general. Access to resources is, therefore, a challenge to disruptive innovation in an incumbent environment.

In contrast to the traditional attribute-based approach to matching markets with products, Christensen and Raynor (2003) identify disruptive innovation opportunity in a circumstance-based approach to marketing and delivery to the new-jobs-to-be-done. Also, Vargo and Lusch (2004) identify the emergence of a Service-Dominant (S-D) Logic, which views the customer as a resource integrator in relationship with a multi-actor service ecosystem co-creating value-in-use for all. This view contrasts with the traditional Goods Dominant Logic, where the customer is a consumer of products and services and the relationship is transactional.

An example of a jobs-to-be-done or (S-D) Logic would be the difference between 'brushing my teeth' and 'keeping my teeth healthy.' Brushing my teeth would require a toothbrush and keeping my teeth healthy would require plugging into an ecosystem of solution providers with knowledge and skill beyond the making and supply of toothbrushes. Therefore, jobs-to-be-done and (S-D) Logic, set up a very different approach to defining value proposition and its delivery ecosystem, which I will discuss in chapter three in examining the work of Vargo and Lusch (2004) in more detail. Given the transformative and even transcendent nature of an (S-D) Logic orientation to value proposition, it suggests what I refer to as a 'dynamic value proposition' sub-strategy to the higher level transcend strategy. I say dynamic given the multilateral and interactive nature of an (S-D) Logic orientation.

Hart and Sharma propose the exploration of the 'fringe' of the firm and its markets for the collection and absorption of differing views to inform and inspire competitive

imagination to create new innovative solutions that penetrate the opportunity space of non-consumption. They introduce the concept of radical transactiveness which they describe as "a dynamic capability which seeks to systematically identify, explore and integrate the views of stakeholders on the fringe for the express purpose of managing disruptive change and building imagination about future competitive business models" (Hart & Sharma, 2004).

This competitive imagination - the skills of harnessing radical perspectives from the outside to provide insights into strategic futures feeds divergent thinking that helps managers identify and tap into the unmet needs of both existing customers and new, 'yet-to-be-served' markets. By 'putting the last first', the firm actively 'fans out' to listen to voices at the fringe of its networks to pre-empt concerns and to generate new knowledge. Then the firm 'fans in' to evaluate, integrate, and reconcile this new knowledge with existing skill and then design and execute on these new strategies (Hart & Sharma, 2004). I refer to this as a 'fringe first (radical transactiveness) sub-strategy' to the higher-level transcend strategy, given that inclusion and new markets are the fundamental requirements of disruptive innovation.

On strategy, Christensen and Raynor (2003) propose that in disruptive innovation ventures, an emergent strategy approach is optimal, one that is responsive to unanticipated opportunities and successes, where teams learn from what's working and what's not – taking one action at a time in search of a viable pattern or consistency.

Adner and Kapoor (2010) emphasise the value of learning potential inherent in an emergent strategy and argue that a key driver of disruptive advantage is rooted in greater learning potential. When the innovating venture needs to overcome high uncertainty and complexity in order to bring its offer to market, the opportunity for learning will be higher, as will be the potential for learning to be a source of competitive advantage. I refer to this as a 'radical competence sub-strategy' to the higher level transcend strategy.

Christensen (1997) and Christensen and Raynor (2003) do not address the disruptive innovation opportunities in open innovation, ecosystem innovation, or interdependent value creation and capture. I address this in chapter three by highlighting the evolutionary shifts noted by other scholars that could contribute to further sub-strategies to the higher level transcend strategy.

Table 3 sets out the summary of the elements of the transcend response strategy and its sub-strategies. I will expand on this table in chapter three, as I include the input of other scholars to this response strategy.

Table 3

Transcend Response Strategy abstracted from the work of Christensen and Raynor (2003)

	<i>Transcend</i> (Disruptive)
Strategic intent	Create new, transformative enterprise
Institutional Scope	Beyond the firm, industry and familiar markets
Priority & horizon	Early profitability and patient for growth
Strategy	Emergent
Market focus	Low-end & non-consumption, inclusivity
Innovation focus	Just-good-enough novel innovation
Value proposition	(S-D) Logic, circumstance-based view
Innovation leadership	Still to be defined by other scholars later in chapter three
Resource focus	Dynamic learning potential: new knowledge and competence development for advantage
Challenges	Access to resources and patience for growth
Response sub-strategies	<i>Dynamic value proposition</i> : a service ecosystem <i>Fringe first</i> : Inclusive innovation <i>Radical competence</i> : Radical learning & reframing to create unique competence

2.3.3 The profile of hybrid innovation: a regenerate response strategy

Investing simultaneously in sustaining innovation to extend the lifecycle of the enterprise and disruptive innovation to create new engines of growth, creates dynamic exploitation/ exploration tension that calls for an adaptive (Arena, 2018) or ambidextrous approach (Tushman & O'Reilly, 2002).

Christensen et al.(2018) recognise that exploring (via an emerging business) and exploiting (via an existing business), in parallel, may help resolve the innovator's dilemma. They suggest incumbents use this organisational ambidexterity to manage conflicts expected to arise from pursuing different types of innovations simultaneously. Christensen and Raynor (2003) highlight these conflicts, which follow.

The first challenge in a hybrid innovation approach, is the natural tilt of incumbents to sustaining innovation. Christensen and Raynor (2003) identify three causal drivers of this bias. The first is a resource allocation bias that favours new-product initiatives promising high margins by targeting large markets with identifiable customers even when senior managers seek to target new disruptive markets. The second driver is a resource-dependency bias, where organisations depend on resources which might reside with existing customers and investors or shareholders. The third bias is that as product performance improves, overlap between different markets increases as new entrants invade incumbent territory, chasing incumbents into retreat upwards to uncontested higher tiers of the existing markets in pursuit of profitability.

The second is the challenge of incompatibles: size, growth, horizon goals, resources, values and processes. Large incumbents require growth at scale to meet market expectations and to protect value. To achieve this, they turn to innovation in markets that will supply this growth in the short-term. Disruptive innovation, on the other hand, needs to be impatient for profitability as it targets niche markets and converts non-consumption into consumption and patient for growth over the long term as it learns its way into this new domain. When large incumbents are in trouble and looking for avenues for growth, these disruptive innovations can be pressured into sustaining innovations to serve existing markets, thereby losing future growth engine potential.

Christensen and Raynor (2003) highlight one critical resource choice where large firms fail - the choice of managers to lead the disruptive innovation. Corporate internal schools of experience, they say, have offered precious few courses in which managers could have learned how to launch new disruptive businesses. As a result, innovating managers often try to start new-growth ventures using processes designed to make the mainstream business run effectively. They also use value system judgments fit for their incumbent organisation rather than fit for niche or new markets and new ventures. These familiar one-size-fits-all processes for doing things are not necessarily the right processes for new ventures.

Christensen and Raynor (2003) suggest that when a disruptive innovation emerges in an adjacent market, an incumbent can create an autonomous organisational unit and task it with developing and commercialising the new and potentially disruptive innovation. This unit essentially becomes a start-up, freely pursuing the disruptive opportunity in the context of a new value network. In this form, it is unencumbered by existing customers' demand for better-performing products, and by the margins and market-size thresholds with which incumbent firms evaluate new business opportunities. I refer to this as a 'niche-ing sub-strategy,' to the higher-level regenerate response strategy.

The third challenge for incumbents in simultaneously navigating disruptive turbulence and innovating to be disruptive is a leadership one. Innovation, in its simplest form, is instantly at odds with operations.

“Because most organisations are designed for stability, they are proficient at rejecting new ideas and change. The formal structure is designed to suppress the informal structure of networked interactions. Moreover, managers are trained in hierarchical leadership with a bias toward order and a focus on top-down control. This bias is compounded by reward systems that incentivise productivity at the expense of

adaptability. The result is that most organisations are set up to pull back to equilibrium. It isn't a matter of leaders not visioning well enough or employees being resistant to change; it is fundamentally an issue of structure and design” (Uhl-bien & Arena, 2018, p. 99).

I have already referred to the Tushman and O’Reilly (2002) call for ambidexterity – a capacity to manage and optimise the tension between the need to produce and the need to innovate. In addition, Uhl-bien and Arena (2018) propose creating an adaptive space that engages the tension (e.g., conflicting) created by these pressures, using integration mechanisms (e.g., connecting) to enable the emergence of adaptive responses (e.g., knowledge, innovation, learning) that can be implemented into the operating core in the form of a new adaptive order.

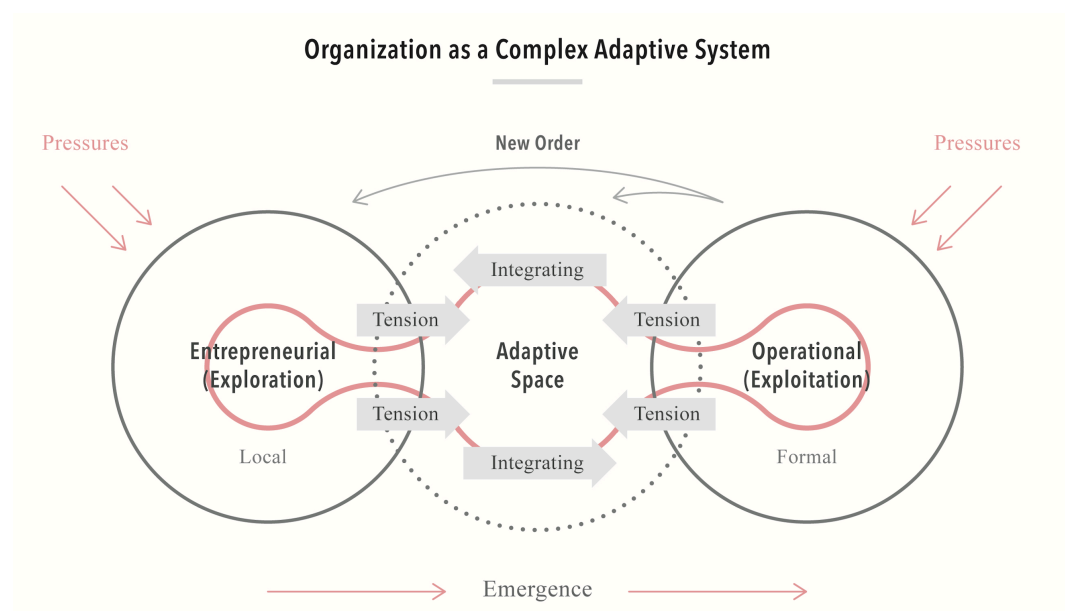


Figure 1: Organization as a Complex Adaptive System, Leadership for organizational adaptability: A theoretical synthesis and integrative framework, (Uhl-bien & Arena, 2018, p. 98)

Uhl-bien and Arena (2018) define an adaptive leadership role as (1) fostering learning at the operating capability level (e.g., product development), (2) capturing the learning at the

dynamic capability level (e.g., innovation and emergence of new ideas), and (3) reconfiguring operating capabilities (e.g., getting the changes into the system in the form of new order). They add to this ideation capability, collaboration capabilities, and value network absorptive capacity as helpful to the process.

In addition to ambidexterity and adaptive space, Teece (2012) presents the concept of dynamic capabilities. He defines dynamic capabilities as higher-level competencies that determine the firm's ability to integrate, build, and reconfigure internal and external resources/competencies to address, and possibly shape, rapidly changing business environments.

Teece (2012) categorises dynamic capabilities as identification and assessment of opportunity (sensing), mobilisation of resources to optimise the opportunity and capture value (seizing), and continual renewal (transforming). Dynamic capabilities, he argues, help leadership develop conjectures, validate or reject them and realign assets and resources as required.

Teece (2012) describes the entrepreneurial quality of dynamic capabilities as a new hybrid: entrepreneurial managerial capitalism. This hybrid is where the entrepreneurial management function is embedded in dynamic capabilities and not confined to start-up activities or individual actors – forging an entrepreneurial and a managerial mindset into a dynamic and uneasy relationship with one another.

Uhl-bien and Arena (2018) describe how leadership for organisational adaptability differs from leading change. Rather than focusing on how leaders can drive change top-down through vision and inspiration, they argue that leadership for organisational adaptability addresses how leaders can position organisations and the people within them to be adaptive in the face of complex challenges.

Uhl-bien and Arena (2018) define leadership for organisational adaptability as "a multi-faceted concept that uses a systems-level approach to designing adaptive organisational structures, enabling networked interactions, nurturing innovation, and providing leadership development that fosters collaboration (e.g., social capital) along with individual performance (e.g., human and intellectual capital)" (p. 89).

This collective body of work (Teece, 2012; Tushman & O'Reilly, 2002; Uhl-bien & Arena, 2018) would suggest a sub-strategy of the regenerate response strategy as 'directing networked and absorptive innovative capacity' across multiple innovative initiatives and ventures.

Leadership for organisational adaptability looks different to traditional leadership with the practice of behaviours such as brokering, connecting, facilitating, and energising to trigger and amplify emergence of creativity, innovation, learning, and growth - leadership that is more behind the scenes and distributed, rather than hierarchical (Uhl-bien and Arena, 2018). This leadership view becomes increasingly relevant when we examine the evolutionary shifts captured by scholars in the past three decades, which I explore in chapter three.

Table 4 sets out the summary of the elements of the regenerate response strategy and its sub-strategies. I will expand on this table in chapter three, as I include the input of other scholars to this response strategy.

Table 4
Regenerate Response Strategy abstracted from the work of Christensen and other scholars

	REGENERATE (Hybrid)	
Strategic intent	Create new growth engines & regenerate core business	<p>Hybrid tilts toward sustaining innovation and risks success of more disruptive innovation</p> <p>Resource allocation and dependencies tilt to sustaining</p> <p>Incompatibilities of size, growth, horizon goals, values and processes tilt to existing business focus</p> <p>One-size-fits-all approach to new ventures leads to failure of new ventures</p> <p>Hierarchical leadership & reward systems biased to pull back to equilibrium and the familiar</p>
Institutional Scope	Firm centric, dyadic & network/ecosystem alliances	
Priority & horizon	Short-term profitability & new long-term growth	
Strategy	Deliberate, Emergent, Ecosystem	
Market focus	Existing market, low-end & non-consumption	
Innovation focus	Sustaining and Just-good-enough novel innovation	
Innovation leadership	Distributed innovation leadership Adaptive space: harnessing social capital & networks, ambidexterity: exploiting and exploring Dynamic capabilities: entrepreneurial management	
Resource focus	New competence acquisition and development	
Challenges	Tension between exploitation and exploration agendas	
Response sub-strategies	Directing networked & absorptive capacity for disruptive effect Niche-ing : autonomous organizational unit	

Having defined an overarching response strategy framework and some of its elements, I now proceed in chapter three to overlay the work of Christensen (1997) and Christensen and Raynor (2003) and their critics with the contributions of other scholars. These scholars speak to a landscape of disruptive and evolutionary shifts and influences that highlight the possibility of other potential response strategies while also confirming some of those defined in this chapter.

Chapter 3: Literature review – research question in context

3.1 Further theoretical context

In this chapter, I further investigate the work of other scholars who, in my view, present concepts, insights, and theories that contribute to understanding how incumbents in mature industry navigate disruptive turbulence and become disruptive too. In the study of the extant literature, I have identified four evolutionary shifts that influence a disruptive context and, as a result, inform disruptive innovation response strategies.

These evolutionary shifts are:

- The evolution from firm-centric innovation to open innovation
- The evolution from business ecosystem to innovation ecosystem as the field of strategic context, alliance development, and disruptive opportunity
- The evolution of the value proposition from a Goods-Dominant Logic to a Service-Dominant (S-D) Logic and the resultant emergence of a ‘multi-actor service ecosystem.’
- The shift from institutional isomorphism to institutional creativity and agility as heroic agency gives way to distributed agency and power shifts from hierarchical and positional to relational and network oriented.

Essentially, these shifts point to a more complex, interconnected, multi-actor innovation scenario, where disruptive innovation is increasingly alliance reliant to quickly access competitive resources to deliver to more inclusive and interactive value propositions. In this analysis of the shifts and their significance, I continue to build on the framework of chapter two and construct an integral, conceptual framework to explain what we know across multiple fields but have not yet tested or validated as a whole (as a framework), and how, when we do, this could contribute to knowledge.

3.2 The evolution from firm-centric to open innovation

The first evolutionary shift is the expansion from a firm-centric approach to innovation to open innovation and interdependent value creation and capture - as networks, platforms, and ecosystems. In this collaborative turn, competing and cooperating become strategically interchangeable to suit a more complex competitive context.

Open innovation, defined as 'a distributed innovation process based on purposively managed flows across organisational boundaries' (Chesbrough, 2003) promotes the evolution of innovation beyond the boundaries of the firm. Open innovation proposes that valuable ideas can come from inside or outside the firm and go to market from inside or outside the firm as well, helping shift the dominant logic of Research and Development away from internal discovery toward external engagement (West, Salter, Vanhaverbeke, & Chesbrough, 2014, p. 805).

Saebi and Foss (2015) distinguish between collaborative and network-based innovation strategies – each defining the degree of reach, connectivity, and collaborative complexity with innovative partners beyond the firm. In a collaborative innovation strategy, a company enters into collaborative agreements with a few knowledge-intensive partners, with close and frequent interactions between partners to develop mutual trust that eases the transfer of tacit knowledge across organisational boundaries. Where the required knowledge is widely distributed outside the firm's organisational boundaries, the firm can engage in a network-based innovation strategy by engaging and maintaining a network of relationships with various external partners.

West et al. (2014) identify the crucial role of the management of knowledge optimisation processes. These processes include knowledge exploitation, exploration and retention, and building absorptive capacity that supports the firm to identify and acquire

external know-how and incorporate the newly obtained knowledge into the company's existing knowledge base.

Hargrave, Ven, and Hargrave (2019) reflect this view in a study of the biotechnology industry by Powell, Koput, and Smith-Doerr (1996),

“When the knowledge base of an industry is both complex and expanding and the sources of expertise are widely dispersed, the locus of innovation is found in networks of learning, rather than in individual firms. Research breakthroughs demand a range of intellectual and scientific skills that exceed the capabilities of any single organisation. In the race to create new knowledge and learn, companies seek close relationships to gain access to specialised capabilities that they can leverage in combination with their own” (Hargrave, Ven, & Hargrave, 2019, p. 873).

This focus on collaborative learning for competitive advantage reinforces the suggestion proposed in the regenerate response strategy of 'directing networked and absorptive innovative capacity' across multiple innovative initiatives and ventures.

Digital technologies bring systemic disruptive power into the mix, enabling unprecedented open innovation and interdependent value creation and capture. This disruptive power comes about, not only by combining technologies to solve problems but also by bringing together novel and heterogeneous groups of innovation actors to participate in innovative socio-cognitive sensemaking and value co-creation. This collaboration takes place either through a technology-led approach in the form of digital platforms, or an actor-led approach, where specific actors leverage digital technologies to collaboratively compete (Skog, Wimelius, & Sandberg, 2018). Both these approaches shift the focus from the firm to a larger collaborative context and transform the competitive playing field to one of competing networks or ecosystems, rather than one of competing firms.

In the light of this transformative power of digital empowerment, Skog, Wimelius, and Sandberg (2015) recognise the current limitation in disruptive innovation theory. They suggest that "perhaps technological innovation plays a limited role, and it is mainly concerned with competitive dyads, as opposed to systemic impacts on industries" (p. 432). This systemic impact is certainly an underexplored aspect in the theory of disruptive innovation and one that other scholars address, for example, Adner (2016) and Adner and Kapoor (2010, 2016).

Nambisan, Lyytinen, and Song (2017) recognise the effect of digital innovation on the shift towards less predefined and more distributed innovation agency, particularly in technology-intensive industries. Here innovation occurs in a context where a dynamic and often unexpected collection of actors with diverse goals and motives, engage in the innovation process. As innovation boundaries get more diffused and innovation agency more distributed, they emphasise the importance of orchestration, wherein one or more firms (entities) assume responsibility for coordinating value co-creation and value capture. They note that while prior studies have largely focused on organisational orchestrators (a firm or a group of firms acting as the orchestrator), it is increasingly evident that digital technologies have the potential to match problems (or needs) with solutions and thereby serve as the orchestrator too. They mention Uber as an exemplar of this new type of digital orchestration.

This may suggest a sub-strategy as one of 'multi-actor innovation orchestration' within the higher-level regenerate and transcend strategies, which can take many forms. This 'multi-actor innovation orchestration' also suggests the increasing importance of the development of a strategic alliance portfolio. Strategic alliances are an incumbent's adaptive or creative response to harness competitive resource endowment and adapt to changing environmental conditions to shape and lead the next wave of innovative breakthroughs.

Hoffmann (2007) presents three different alliance portfolio strategies: reactively adapting to the changing environment, actively shaping the environmental development according to firm strategy, and stabilising the environment in order to avoid organisational change. Both adapting and shaping strategies, he says, require exploration to acquire new resources and capabilities. The shaping strategy requires expanding and deepening the company's resource endowment in a focused manner. In contrast, the adapting strategy aims to increase strategic flexibility by broadening the resource endowment and generally improving the ability to learn and change. The stabilising strategy, on the other hand, relies on efficiently exploiting the existing resources and protecting competitive advantages as much as possible. Hoffmann maintains a hybrid strategy helps to overcome trade-offs between exploration and exploitation as well as between actively shaping and reactively adapting when seeking new resources and capabilities.

Which alliance strategy is selected depends particularly on the company's resource strength in the field. The greater the company's technological and commercial competence and social capital in this business, the greater its shaping potential, and the more likely it is to prefer a focused way of exploration (shaping strategy). If, on the other hand, shaping potential is minimal, the company is forced to increase its strategic flexibility and reactively adapt to the environmental evolution (adapting strategy) (Hoffman, 2007).

Table 5 below sets out how this shift from firm-centric to open innovation has the potential to influence and shape disruptive innovation response strategies.

Table 5
Open innovation influences shaping response strategies

Open innovation influences	Adapt	Regenerate	Transcend
Innovation approaches & sub-strategies through open innovation	Firm-centric innovation Dyadic alliance strategies	Collaborative & network-centric innovation enables distributed innovation across firm boundaries shaping a response sub-strategy of <i>Multi-actor innovation orchestration of strategic alliance portfolio to adapt, shape, stabilise</i>	Towards competing networks and ecosystems – leads to a response sub-strategy of <i>Multi-actor innovation orchestration to build competing network or ecosystem</i>
Approach to resources confirms regenerate sub-strategy		Knowledge optimisation: <i>Directing absorptive capacity to build new competitive competence and create, and direct networks of learning</i>	

The next shift discussed, the shift towards interdependent value creation and ecosystem evolution, reinforces the need for a robust alliance portfolio strategy and, in the instance of a transcend response strategy, the creation of competing networks and ecosystems.

3.3 The shift to interdependent value creation and ecosystem evolution

Seven years prior to Chesbrough's (2003) concept of open innovation, Moore (1996) defined the concept of the business ecosystem as,

an economic community supported by a foundation of interacting organisations and individuals – the organisms of the business world. This economic community produces goods and services of value to customers, who are themselves members of the ecosystem. The member organism also includes suppliers, lead producers, competitors, and other stakeholders. Over time, they coevolve their capabilities and roles and tend to align themselves with the direction set by one or more central companies. Those companies holding leadership roles may change over time, but the community values the function of the ecosystem leader because it enables members to

move toward shared visions to align their investments and to find mutually supportive roles (Moore, 1996, p.26).

Adner (2016) notes that over the past 20 years, the term ecosystem has become pervasive in discussions of strategy, both scholarly and applied. This, he says, is mirrored by growing interest regarding greater interdependence across organisations. Interdependent organisational forms such as platforms, coopetition, multi-sided markets, networks, technology systems, supply chains, value networks, and ecosystems focus attention on new models of value creation and value capture.

Jacobides, Cennamo, and Gawer (2018) in seeking a coherent view of ecosystems through the examination of the extant literature, identify three broad categories of ecosystem - the business ecosystem which focuses on the firm and its environment, the innovation ecosystem which focuses on value creation, and the platform ecosystem that enables multiple actors to organise around a platform. All of these collaborative forms originate in the organisation around new competitiveness and novelty.

Adner (2016) adds a taken-for-granted character to business ecosystems of mature industries. Much of the ecosystem, he says, is latent most of the time. It is only when innovation requires a change in the configuration of activities, actors, positions, and links, that the ecosystem becomes apparent and where consideration of ecosystem dynamics becomes critical for crafting and understanding strategy.

Jacobides, Cennamo, and Gawer (2018) define an ecosystem as a set of actors with varying degrees of multilateral, non-generic complementarities (items not usually found in combination with each other) that are not fully hierarchically controlled. This, they say, encapsulates three crucial and distinctive attributes of an ecosystem. They define platform ecosystems as semi-regulated marketplaces that foster entrepreneurial action under the

coordination and direction of the platform sponsor or as multisided markets, enabling transactions among distinct groups of users. They also highlight that ecosystem does not necessarily align with a particular industry. Rather, an ecosystem may cross over different industries.

Gomes, Facin, Salerno, and Ikenami also note a turning point in the literature, the transition from business ecosystem to innovation ecosystem (2018, p. 43). Business ecosystem, they say, relates mainly to value capture, while innovation ecosystem relates mainly to value creation. They recognise Adner and Kapoor (2010) for bringing value creation to the centre stage and note their criticism of the current literature for overemphasising value capture over value creation by exploring the role of co-specialisation, bargaining power, and relationships between exchange partners in shaping firms' value capture, while assuming away the question of how value is created in the first place (p. 309).

The term innovation ecosystem suffers the same dilemma as that of disruptive innovation. After examining the use of innovation ecosystem in the literature, Oh et al. (2016) were unable to find a robust definition of what an innovation ecosystem is. Jacobides, Cennamo, and Gawer (2018) note that this lack of theoretical consistency concerning innovation ecosystem terminology may produce a very fragmented and diverse theory, making comparisons among studies and the consolidation of knowledge problematic.

Addressing this gap, Adner (2016) describes the unique form of an ecosystem as multilateral relationships that underlie a value proposition that is not decomposable into multiple bilateral relationships. He distinguishes two types of ecosystem. The first he defines as ecosystem-as-structure - the alignment structure of the multilateral set of partners that need to interact in order for a focal value proposition to materialise. Ecosystem-as structure is, therefore, defined by a shared value proposition. The second type of ecosystem Adner defines

as ecosystem-as-affiliation - where actors, linked to a focal actor, explore possible value propositions and enhancements that the particular ecosystem can generate. The ecosystem is, therefore, defined by a community of associated actors and their networks and affiliations. The ecosystem-as-affiliation starts as an actor-centric ecosystem in search of a value proposition, whereas the ecosystem-as-structure starts as activity-centric, proposition-led ecosystem seeking complementary actors that need to be aligned for the proposition to be realised.

Adner (2016) argues that a structuralist approach to ecosystem definition addresses the casual reference to ecosystem boundaries that are set at the level of firms (e.g., Apple's ecosystem vs. IBM's ecosystem), sectors (e.g., healthcare ecosystem; payments ecosystem), or regions (e.g., Silicon Valley) (p. 55).

"Such ecosystem conceptualisations," Adner (2016) says, "create an illusion of focus and consistency that can mask highly inconsistent views on almost every aspect (who, what, where, when, how, why) of the interdependence to be managed under their heading". He proposes that it is the value proposition focus that gives rise to a coherent set of decisions regarding where and how to draw the boundaries of the system (p. 55).

Adner (2016) identifies four elements to a structuralist approach to ecosystems, namely, (1) activities - the discrete actions for a value proposition to materialise, (2) actors - the entities that undertake activities, (3) position - where in the flow of activities across the system actors are located and who hands off to whom, and (4) links - which specify transfers across actors, which can be material, information, influence or funds.

While entrepreneurship is a driving force of innovation, much of the existing literature on entrepreneurial opportunities and the field of entrepreneurship has focused on the individual, overlooking the potential for a collective set of entrepreneurial actors

pioneering a new competitive ecosystem through cooperation and competition - coopetition (Overholm, 2015).

Examining the emergence of the solar industry ecosystem, Overholm (2015, p. 21), notes how a party that pioneers an ecosystem, influences other parties to co-innovate and to organise themselves in order to participate in joint value creation. He identifies how an emerging ecosystem may create opportunities for new entrepreneurs by providing a cognitive opportunity - helping budding entrepreneurs understand how they need to structure their own ecosystems in order to achieve similar value creation - and a practical opportunity for market entry, to the extent that new ventures can step into the created ecosystem and interact with partners in the same way that the ecosystem creator can. While followers certainly benefit from existing ecosystems, Overholm (2015) also recognises that these followers are pioneers too, as they constantly integrate into the ecosystem with strategic actions (educating and linking of new ecosystem partners) very similar to those the pioneers used to open up the original market (p. 23). A mature industry could miss this emergent disruption from a set of actors, not seeking integration in an existing ecosystem, but rather collaborating to create an alternative competing ecosystem.

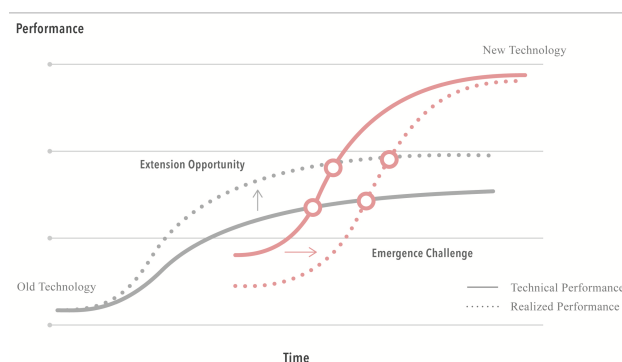
Both forms of ecosystem, ecosystem-by-affiliation, and ecosystem-as-structure, as well as the platform model, would be pertinent to the sub-strategy proposed in the open innovation shift of 'multi-actor innovation orchestration' within the higher-level regenerate and transcend strategies.

Adner and Kapoor (2010) expand their view beyond the traditional analysis of the firm and their rivals, to an ecosystem perspective, which calls for consideration of the distribution of innovation challenges across the ecosystem - challenges in upstream

components (the supply side of the innovation process) and downstream complements (the market access and adoption side of the innovation) of the firms' partners in the ecosystem.

Challenges in components increase the performance advantage attributable to the firm, which, under pressure, must absorb new knowledge and skill and change routines to adapt to the challenges, and, in so doing, build competitive advantage that is hard for competitors to emulate. Challenges in complements constrain the customer's ability to derive full benefit from the firm's innovation, thereby eliminating this first-mover advantage by giving competitors time to catch up while the complement constraint is addressed (Adner & Kapoor, 2010). This bottleneck constraint can also give rise to ecosystem opportunity and shape ecosystems over time as the dynamic in the ecosystem changes as it matures. Each shift invites a shift in ecosystem strategy that will require shifts in cooperation and competition (Hannah & Eisenhardt, 2018).

Adner and Kapoor (2016) show too how the joint consideration of both new and old technology ecosystems and the examination of the interdependencies in the broader ecosystem of components and complements in which the focal technologies are embedded, can help explain the pattern and pace of substitution and hence the pattern and pace of disruption.



Technology competition between an old technology with ecosystem extension opportunity and a new technology with ecosystem emergence challenges

Figure 2: Re-examining Technology S-Curves, (Adner & Kapoor, 2016)

They argue that ‘emergence challenges’ for new actors, play out against ‘extension opportunities’ by incumbent actors and that this dynamic determines the end game. When emergence challenges are high for new actors and old ecosystem extension opportunities for incumbent actors possible, the new actors will not be able to disrupt immediately(Q1). But when emergence challenges are low and extension opportunities difficult or not possible, the challenger will disrupt and eventually dominate market share (Q4). These ecosystem insights demonstrate the value of developing strategy in a broader ecosystem context, calling for the addition of ecosystem strategy to the deliberate and emergent strategy mix of Christensen and Raynor (2003).

Table 6 below presents the influence of the interdependent value creation and ecosystem shift and its potential to influence disruptive innovation response strategies.

Table 6
Ecosystem influences shaping response strategies

Ecosystem influences	Adapt	Regenerate	Transcend
On strategic scope	Business ecosystem focus (<i>Taken for granted</i>)	<i>Multi-actor innovation orchestration of strategic alliance portfolio to adapt, shape, stabilise”</i> A business ecosystem and <i>ecosystem-by-affiliation</i> focus: in search of new collaborative value propositions and network-centric innovation experimentation	<i>“Multi-actor innovation orchestration to build a competing network or ecosystem</i> <i>Ecosystem-as-structure:</i> innovation ecosystem led by keystone actor driving delivery to a unique, multilateral, multi-actor value proposition, co-creating and capturing new value
On strategic focus	Firm strategy	Firm and nascent ecosystem strategies	Ecosystem strategy

The business and innovation ecosystems concepts offer a new understanding of competition: moving from a single industry to multiple ecosystems competing for the same

customers. This larger and more complex context raises new requirements for strategy, value proposition co-development, and ecosystem development and orchestration.

3.4 The value proposition shift from a Goods-Dominant Logic to a Service-Dominant Logic

The third shift, noted by Vargo and Lusch (2004), already referred to in this chapter, is the value proposition evolution from a Goods Dominant Logic, where people consume products and services, to a Service-Dominant Logic where consumers are viewed as resource integrators and co-creators of value-in-use. Tangible output and discrete transactions are central to a Goods Dominant Logic, and intangibility, exchange processes, and relationships are central to a Services-Dominant Logic. In the Service-Dominant Logic scenario, value is co-created with the customer rather than embedded in the product. This represents a shift from make-and-sell to sense-and-respond, from linear value chains to self-reinforcing value cycles, and from means and the producer perspective to utilisation and the customer perspective (Vargo, Wieland, & Archpru 2015).

Degnegaard (2014) states that the shift to service-orientation implies that value is to be defined as potential rather than something that can be delivered by an organisation as a supplier and that this value potential becomes more complex and takes up a different nature for different stakeholders and unfolds between stakeholders. In these super settings, value is dynamic, liquid, ever-changing potential and can only be captured in relation between stakeholders and that when the co-creation process expands in complexity from a simpler producer-consumer relation to including peers, institutional partners, and society-wide concerns, then the concept of human-centred design needs to be reworked and stretched to encompass the complexity of co-creation settings.

Prahalad and Ramaswamy (2004) presents the concept of market-as-forum, where networked consumer communities are the new driving force, transforming the idea of the firm at the centre and the unit of analysis to an emergent nodal network, where customers help to co-create and extract value, simultaneously. Here marketing views the customer as a co-producer and the market as a venue for proactive customer involvement with a focus on value creation and relationship (the customer as resource integrator) rather than value distribution and transaction (the customer as a user of goods and services). Christensen and Raynor's (2003) circumstance-orientated view of the jobs-to-be-done reflects this Service-Dominant Logic too. Vargo and Lusch (2004) also note that the focus is shifting away from tangibles and toward intangibles, such as skills, information, and knowledge, and toward interactivity and connectivity and ongoing relationships.

A Goods-Dominant Logic and Service-Dominant Logic resource view – operand and operant resources - expands on the above. In a Goods-Dominant Logic, an operand resource view is primary - that is where resources are acted upon or are vehicles through which an operation or act can be performed - physical assets. On the other hand, Service-Dominant Logic views resources as 'anything an actor can draw on for support.' In a Service-Dominant Logic, an operant resource view is primary - that is where resources produce effects and where skills and knowledge are the most important type of resources. They are higher-order resources, bundles of resources, which create dynamic capabilities (Vargo & Lusch, 2004).

In this Service-Dominant Logic context, value propositions act to connect one actor with other intersected actors within a larger 'service ecosystem' which are relatively self-contained, self-adjusting systems with a shared institutional logic of mutual value creation through service exchange. Here, service ecosystems, with their overlapping institutions, or

institutional arrangements, need to be viewed as the venues for enabling and constraining market innovation (Vargo, Wieland, & Akaka, 2015).

“Institutions are central to innovation because they guide how actors integrate resources and co-create value with other actors. Institutions are not static and are continually reconstituted through their actions and interactions of multiple actors trying to create (sometimes new forms of) value for themselves and for others. Thus, this framework points towards institutionalisation - the maintenance, disruption and change of institutions (Lawrence, Suddaby, Clegg, & Hardy, 2006) – as a central process of innovation for both technologies and markets” (Vargo et al., 2015, p. 67).

This connecting and directing role of a shared or unifying value proposition introduces value proposition as a renewing or transforming force in the process of institutional work - at a single institutional level and, at what I refer to as, a meta-institutional (collective, inter-organisational) level, operating at the intersection of a collective field of institutional participation and co-creation.

This would suggest that in the context of disruptive response strategies, value proposition re-imagining, reframing, or dynamically reconstituting is a pivotal strategic consideration for both the regenerate and transcend higher-level response strategies. I have recognised 'dynamic value proposition' as a sub-strategy to the transcend response strategy and also suggest 'expanding into value co-creation' as a sub-strategy to the higher-level regenerate response strategy.

Table 7 below sets out the influence of the value proposition evolution shift and its potential to influence disruptive innovation response strategies.

Table 7
Value proposition evolution influences shaping response strategies

Value proposition evolution, the influences	Adapt	Regenerate	Transcend
Influence of evolution of value proposition on sub-strategies	<i>Leverage, acquire and defence</i> sub-strategies work to reinforce current value proposition and value chain optimisation. Goods Dominant Logic: transaction, product and services, market as trading place, value embedded in the product and service. Make-and-sell orientation where operand resources are dominant.	<i>Expanding into value co-creation</i> Goods & Services Hybrid Logic: Transaction and relational, products and service ecosystem focus with an exploration of value-in-use, market-as-forum and service ecosystem where the customer is seen as co-creator. Make-and-sell and sense-and-respond orientation where operand and operand resources are applied in hybrid scenarios side by side.	<i>Dynamic value proposition</i> Service Dominant Logic leads a relational, multi-actor service ecosystem that co-creates value in use with the customer as resource integrator. Sense-and-respond orientation where operand resources are dominant.

This idea of value proposition and the co-creation of value as a driving and directing force in institutional work gives institutional work theory a broader multi-institutional ("meta-institutional") context, absent from institutional theory to date. Vargo, Wieland, and Archpru (2015) note that "research on innovation systems has begun to recognise three common building blocks - networks of individuals, social practices, and institutions - that are essential for understanding collaboration in social systems" (p.65). This is an interesting convergence and one that brings me to the next shift towards institutional creativity and agility.

3.5 The shift towards institutional creativity and agility

Institutions - human creations that come to be perceived as natural social order - are the living outcomes of collective human creativity and agency, constantly evolving as actants participate through institutional work in its creation, maintenance, and disruption (Lawrence et al., 2006) - these actants being individuals and collectives, human and non-human.

Even though neo-institutional theory progresses beyond the isomorphic emphasis of institutional theory (Greenwood & Hinings, 1996) by presenting a more dynamic view where institutional entrepreneurs, as an example, affect institutional change and transformation (Battilana, Leca, & Boxenbaum 2009; Dorado 2005; Lawrence et al., 2006), this more dynamic view does not go far enough to acknowledge the institutional effect of networked actors co-creating across institutions and institutional boundaries, as highlighted in the scenarios of ecosystems, service ecosystems, platforms and networked institutional collaboration in the preceding sections. Hargrave, Ven & Hargrave (2019) acknowledge this limitation, "although they (institutional theorists) have provided a good understanding of how institutional arrangements are adopted and diffused, they have been relatively silent about institutional innovation, or the generative process of collective action through which institutions are created" (p. 866).

Zietsma and Lawrence (2010) note that researchers interested in explaining institutional change and stability have increasingly recognised the importance of agency. Emirbayer and Mische (1998, p. 974) define agency as a "thoroughly relational and always a dialogical process by and through which actors immersed in temporal passage engage with others within collectively organised contexts of action". This conceptualisation of agency acknowledges its creative power where routine, purpose, and judgement are in dynamic interplay within changing structural contexts of action and temporal and relational fields.

Emirbayer and Mische (1998) criticise how contemporary theories of agency restrict the discussion of human agency to its iterational (routine) dimension, noting the work of Bourdieu and Giddens who, they say, recuperate the creative, improvisational and foresightful dimensions of the implementation of practical schemas of action but still with a low level of reflexivity. Their criticism of this limitation is that this concept of agency "does

not show us how such schemas can be challenged, reconsidered and reformulated and that human actors do not merely repeat past routines; they are also the inventors of new possibilities for thought and action" (p. 983).

Emirbayer and Mische (1998) present agency as a chordal triad composed of three analytically distinct elements. The first is iterational, where the primary locus of agency lies in the schematisation of experience, which encourages selective reactivation of past patterns of thought and action. The second is practical-evaluative, where the primary locus of agency lies in the contextualisation of social experience where actors make practical and normative judgements among alternate trajectories of action in response to emerging demands, dilemmas and ambiguities of evolving situations. The third is projective, the creative reconstructive dimension of agency where the locus lies in the hypothesising of experience, enabling the imaginative generation of possible future trajectories of action defined by actors' hopes, fears, and desires.

How this conceptualisation of agency shows up in changing institutional contexts is demonstrated in the research by Zietsma and Lawrence (2010) on boundary and practice work in institutional change and stability. They found that when boundaries were intact, and practices were accepted, agency was primarily habitual, reproducing past patterns of behaviour. When boundaries and practices were contested, agency was mainly practical-evaluative: actors reacted immediately to a changing environment. The shift to projective agency depended on the construction of new, temporary boundaries that allowed future-oriented intention and action. These temporary boundaries shelter actors and allow participants to collectively imagine new practices and boundaries. This is an important insight for the leadership of projective disruptive intent and a further argument for the safe adaptive space proposed by Arena (2018). It ties in too with Christensen and Raynor's (2003)

view to separate new ventures from the mainstream business, where the new firm represents new values and processes. Promotion of the new practices and repair of the boundary required a shift back to a more practical-evaluative agency focused on connecting the innovations to the immediate needs of competitors and stakeholders. Although a simplification of the findings of this research, this example demonstrates the potential for leaders to optimise and enable the required elements of agency at pivotal periods in hybrid or disruptive innovation scenarios.

Drawing on the work of other scholars, Dorado (2005) adds another perspective on agency, identifying agency as habitual, strategic, and sensemaking and the form of agency actors adopt, dependent on which temporal orientation. This temporal orientation could be towards the past where agency is 'habitual' or the present where agency is 'sensemaking' or focused on the future where agency is defined as 'strategic'.

Dorado (2005) argues that resources - cognitive, social, and material support - are integral to institutional change and that the mobilisation of support and acceptance leading to the diffusion and legitimation of new institutional arrangements may follow one of three distinct processes: accumulation, leverage, or convening. Accumulation implies that support and acceptance emerge as the uncoordinated actions of countless actors. Leverage means that politically skilled actors mobilise support and acceptance. Finally, convening describes a process of institutional change jumpstarted by the creation of collaborative arrangements. Dorado suggests that convening may be the only process that can generate change in problem domains - i.e., organisational fields defined by problems too many-sided and complex for any one single individual or organisation to handle. Convening here can also refer to an interdependent value creation context and the role of orchestration across multiple institutional actors in search of inclusive and collaborative innovative solutions. All three of

these processes rely on a temporal, relational/social, and dialogical perspective, even if some of this may be non-directed but influential nevertheless – which is the common theme of this shift.

Dorado's (2005) processes for the mobilisation of support for new institutional arrangements, in my view, falls short of fully accounting for the new institutional arrangements that take place particularly in the multi-actor settings of ecosystems, especially Adner's ecosystem-as-structure (2016), which goes beyond convening, to active multilateral orchestrating, also recognised by Nambisan, Lyytinen, and Song (2017) as highlighted earlier in this chapter.

Actor-Network Theory (ANT), however, adds a more vibrant perspective to this, focusing on the human creative force in all institutional renewal. Lawrence et al. (2006) suggest Actor-Network Theory as a more dynamic contribution to the study of institutional work for its focus on social processes, rather than structures, offering a renewed focus on the social practices associated with institutionalisation, rather than institutions as reified social structures.

Lawrence et al. (2006) explain the concept of translation in actor-network theory as the process by which actants within a network mobilise support by making a unified whole from different interpretations, meanings, and motivations over time. As the network congeals, it becomes taken-for-granted. Through this process, the power structure that generates a network becomes hidden or masked through the process of translation, in much the same way that agency structures in institutions become masked as they become cognitively legitimated. Actor-Network Theory, they say, re-conceptualises the notion of power in the processes of institutional creation, reproduction, and demise. Power, in this context, is less a property and more a diffuse product of network interactions - referential and distributed amongst actors

within a network. It is, therefore, the collective interaction that produces power, rather than any individual actant within the network.

Nilsson (2015) recognises a broader shift in agency, which he says is less often heroic than distributed, "something accomplished through the coordinated and uncoordinated efforts of a potentially large number of actors" (p. 381). Although distributed agency is particularly likely in the domain of social problems that are too many-sided and complex for any one single individual or organisation to handle it is, however, very likely in the context of open and inclusive innovation, or in the design and execution of ambitious value propositions and multi-actor collaborations, such as Vargo et al.'s (2015) service ecosystem or Adner's (2016) ecosystems-as-structure or ecosystem-by-affiliation.

Lawrence et al. (2006, p. 243) suggest that viewing agency and power as distributed within a system, rather than a property possessed by some and not others, changes the way in which we perceive institutional change. Rather than seeking the locus of change (i.e., core or periphery) or the agents of change (i.e., institutional entrepreneurs), research should focus on the manner in which actor networks grow in size, complexity, and influence. They refer to the four moments of translation of the ANT process, which may contribute to this, which they say focus attention on the social practices and skills needed to mobilise competing frames or interpretations. These moments of translation are,

'problematization' in which translators attempt to define an issue and offer an

'obligatory passage point' drawing an initial set of actors together to solve it;

'interessement' in which translators determine and fix the interests of key actors so that they are willing to stay with an emerging project; 'enrolment' in which

representatives of main groups of actors are assigned 'roles' and drawn together to

build an alliance; and 'mobilization in which the actor-network is extended beyond an initial group.

Hargrave, Ven, and Hargrave (2019) refer to a collective action model - born from the convergence of technology innovation management (TIM) literature and the social movement (SM) literature which explains institutional innovation as emerging from a dialectical process in which opposing actors in the organisational field frame issues and construct networks in an attempt to introduce new institutional arrangements.

The Collective Action Model examines the construction of new institutions through the political behaviours of many actors who play diverse and partisan roles in the organisational field or network that emerges around a social movement or technical innovation. Scholars working from this perspective are primarily concerned with how new institutional arrangements emerge from interactions among interdependent partisan agents. This perspective relies on a dialectical theory of change, where confrontations emerge between conflicting entities espousing opposing theses and antitheses that collide to produce a synthesis, which in time becomes the thesis for the next cycle of a dialectical progression of change.

Institutional arrangements consist of multiple tensions, such as pressures for integration and differentiation, exploration and exploitation, and interdependence, and independence. Perry-Smith and Mannucci as cited by Uhl-bien and Arena (2018), show how leaders can foster innovation and create institutional agility by enabling network structures and the roles within them.

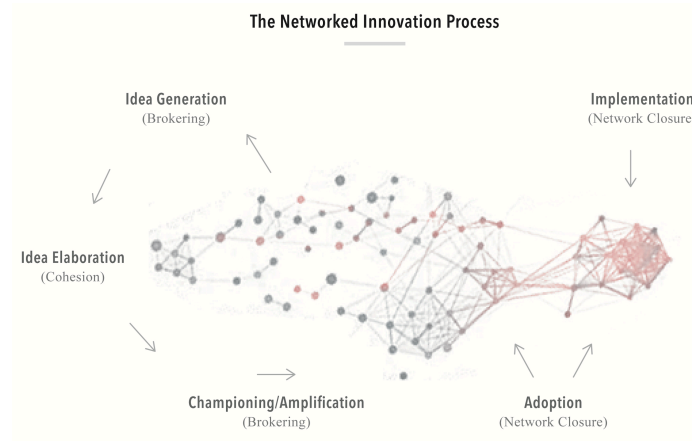


Figure 3: The Networked Innovation Process, Leadership for organizational adaptability: A theoretical synthesis and integrative framework, (Uhl-bien & Arena, 2018, p. 97)

Perry-Smith and Mannucci as cited by Uhl-bien and Arena (2018) argue that by mapping network theory on to the innovation process, that dyadic tie strength (e.g., emotional closeness, duration, and frequency) is critical in facilitating the micro needs of the early innovation process (i.e., idea generation and elaboration), while network structure (e.g., ego network and structural holes,) is critical in navigating the social dynamics in the latter stage (i.e., championing and implementation). They go on to say that at the idea generation phase, weak ties will facilitate idea generation through brokerage and at the idea elaboration phase, feedback and encouragement from a limited number of strong ties or a trusting and safe environment of network cohesion are beneficial. In the championing phase, they say brokerage helps garner support for ideas and initiatives because idea creators will likely not be able to do this themselves and will need to borrow influence and legitimacy from another to sell the idea. In the implementation phase, they argue that network closure (i.e., few structural holes) provides normative pressure to work collaboratively toward common objectives and enhances information sharing while reducing perceived uncertainty by drawing on others' behavioural cues.

The new leadership challenges are significant, not just in leading competitive firms, platforms, or ecosystems, but in adapting to and disrupting within larger systems of innovation at play across industries, regions, nations, and the globe. Michael Arena (2018) argues for building institutional agility and that this requires a focus on social capital and networks. The literature reviewed in this shift suggests he is right.

Table 8 below sets out the institutional and leadership shift potential to influence disruptive innovation response strategies.

Table 8

Institutional creativity and agility influences shaping response strategies

Institutional creativity & agility influences	Adapt	Regenerate	Transcend
Mobilising resources	Mobilisation through accumulation and leverage.	Mobilisation through accumulation, leverage and convening. Shifting emphasis to social skills and mobilising competing frames or interpretations (translation, 'interessement', enrolment and mobilisation of Actor-Network Theory).	Mobilisation through leverage, convening and <i>orchestration</i>
Influence of shifting boundaries, practice and dynamic agency	Routine boundaries and practice evoke iterational (habitual) and practical evaluative (sensemaking) agency when these are challenged.	A mix of routine boundaries and practice and shifting or new boundaries and new practice evoke iterational (habitual), practical evaluative (sensemaking) and projective (strategic) agency. A safe adaptive space is necessary for projective agency to determine the new.	Cross boundaries and practice evoke practical evaluative (sensemaking), and projective agency (strategic).
Influence of shifting locus of power	Power in hierarchy and structure and change through top-down diffusion	Power in hierarchy & structure and emergent in networks & social capital. Change through diffusion and translation – increasingly dialectical and relational and distributed	Power in networks, social capital, and strategic alliances. Dialectical and relational
Influence of new leadership paradigm	Institutional entrepreneurs challenge templates and drive change	Leaders create institutional agility and innovation through a dynamic dialectical process, and by enabling network structures and a networked innovation process optimising the principles of network theory	

3.6 Towards a theoretical framework to guide disruptive response strategies

This literature review and my research process have, together, resulted in an iterative progression, where concepts have emerged in the research that have guided me back to the literature to seek a better understanding. In the process, a more comprehensive theoretical framework has emerged that I have named the Adapt, Regenerate, Transcend (ART) framework (see Table 9).

This framework sets out the distinctions as defined by the work of Christensen (1997), Christensen and Raynor (2003) and Christensen et al. (2018), along the broad categorisation of an Adapt, Regenerate, and Transcend as higher-level response strategies. It also includes the work of other scholars noted in the evolutionary shifts discussed in this review and to which I respond with suggested sub-strategies in each of the higher-level response categories of Adapt, Regenerate and Transcend.

This framework is not exhaustive. It aims to reflect the literature insights regarding the field of disruptive influence and to act as a useful framework to think about disruptive innovation and the strategies to apply to navigate disruption and become disruptive too.

In the search of a framework, I notice the emergence of something new. This appears to be a new orientation, capability, and leadership of a more relational, dialectical, distributed, social, and network-centric organising and co-creating. Here multilateral relationships are quickly forged to optimise resources and build unique collective capability to co-create value with an intelligent sense-and-respond competence.

This emergent meta institutional innovation and collective generative/regenerative capability could serve the world better in the 21st Century as we hurtle headlong into an ever-expanding context of polycrisis. Polycrisis is a term that describes multiple crises and

interconnected challenges, or the convergence of stresses. For example, Swilling and Annecke refer to the convergence of the current global stresses of climate change, peak oil, ecosystem degradation, increasing inequality, rapid urbanisation, increasing food and water scarcity, and an ongoing series of financial crises as a ‘global polycrisis’ (Swilling, Mark; Ben Sebitosi, 2012, p. 192).

This polycrisis phenomenon of the 21st Century is proving to be more disruptive to industry, economies, and the current world order than anything we have experienced as humanity before. It makes the notion of disruptive innovation seem quaint by comparison to the more disruptive impacts of health pandemics like COVID-19, climate change, social displacement, mental health, youth unemployment, widening inequality and extreme poverty – to mention but a few. New collective capacity to co-create and co-deliver to a more inclusive and generative agenda is more urgent than ever. This meta-perspective was not one I was aiming to explore at the start of this study but is a larger question that emerges as I conclude this literature review.

“Periods of great uncertainty and crisis have tended to intensify two related trends: a desire to reimagine the future to create pathways out of the crisis and proliferation of real-world experiments to figure out real-world alternatives that address the perceived causes of the crisis” (Swilling, 2019, p.142).

The ART framework emergent out of the literature provides the perspective to take this new view and ask this larger question, which I will explore in greater detail in chapter 6. I return to where this study began - the original research question and its focus and how the literature has informed my approach.

3.7 The research question

From the literature review it appears that the only way for mature firms to survive the tide of creative disruption is to become disruptors too, and if ambitious enough, to create or co-create the next defining wave.

For a mature industry to navigate potential disruption on this scale and possibly direct disruptive innovation of its own, will require a dramatic departure from innovation and business as usual. To achieve a disruptive result will demand a new level of leadership skill in directing and orchestrating a diversity of strategic priorities across an increasingly complex set of adaptive alliances in a more expansive competitive and cooperative context. This complex task is evident in Table 9, which sets out an integrated Adapt, Regenerate, Transcend response strategy framework drawn and constructed from extant literature. Sustainable innovation and a single response strategy will no longer secure a place in the future for incumbents of a mature industry. The insurance industry, as an example of a mature industry, is an industry bounded by legacy systems and 20th Century business models, client interfaces, distribution systems and complex value creation processes - and for these reasons, ripe for disruption.

Is the insurance industry capable of this innovation leap, and, if so, what can it do now to prepare for it or even create it? This leads me to my research question: "How do firms in the insurance industry (life and health) in South Africa, navigate disruptive influence, and which strategies are effective to become disruptive too?"

While disruptive innovation theory helps us understand when and why disruption occurs, my research aims to understand what incumbents should and could do about it, to not only survive disruptive influences but to lead the disruption too. So how do and should firms respond to disruption, and which strategies are effective is the more specific question?

The emergent framework of this literature review provides a point of reference to the research - to not only test against practice, but also to build upon through the research. As this theoretical framework has not been put to the test, I have executed a grounded theory research strategy to identify and articulate a theory of disruptive innovation responses by uncovering and examining industry actors' actions, interactions and processes in response to disruptive influence and ambition and test and refine the emergent theoretical framework to determine validity and applicability of this framework in practice in the insurance industry in South Africa, specifically. I introduce this grounded theory approach in the chapter that follows after Table 9

Table 9 Literature review ART Framework

	<i>ADAPT</i> (Sustaining)	<i>REGENERATE</i> (Hybrid)	<i>TRANSCEND</i> (Disruptive)
Strategic intent	Extend lifecycle & defend market position	Create new growth engines & regenerate core business	Create new, transformative enterprise
Strategy type	Firm strategy led, deliberate strategy	Firm & nascent ecosystem strategies: Deliberate, emergent and ecosystem	Ecosystem strategy led. Emergent, ecosystem and platform
Priority & horizon	Growth & short-term performance	Short-term profitability & new long-term growth	Early profitability and patient for growth
Institutional Scope	Firm-centric innovation & dyadic alliances	Firm centric, dyadic & network/ecosystem alliances	Ecosystem-centric alliances
Ecosystem scope	Industry ecosystem (Taken for granted)	An industry ecosystem and ecosystem-by-affiliation focus: in search of new collaborative value propositions & network-centric innovation experimentation	Ecosystem-as-structure
Market focus & relationship	Current markets and customers Transactional (operand resource based)	Existing market and pursuit of low-end & non-consumption Transactional and relational	Low-end & non-consumption, inclusivity Relational (operant resource focused)
Value proposition	Traditional value proposition. Product and service oriented. Value embedded in product & service. Goods-Dominant Logic: make-and-sell orientation, operand resources dominant	Expanding into value co-creation. Goods & Services Hybrid Logic. Transaction & relational, products/services & service ecosystem focus where the customer is seen as co-creator. Make & sell & sense & respond orientation where operand & operant resources are applied in hybrid scenarios side by side.	Dynamic value proposition. Service Dominant Logic leads a relational, multi-actor service ecosystem that co-creates value in use with the customer as resource integrator. Sense & respond orientation where operant resources are dominant – skill the key asset
Innovation focus	Incremental improvement	Sustaining and Just-good-enough novelty	Just-good-enough novelty
Innovation leadership	Institutional entrepreneurs challenge templates and drive change. Tend to be at middle management level. Heavyweight teams solve new problems & designing new ways of working. Lightweight teams optimise process.	Leaders create institutional agility and innovation through a dialectical process and by enabling network structures, an adaptive space and a distributed, networked innovation process that optimises the principles of network theory. Leaders with dynamic capabilities as entrepreneurial managers.	Ecosystem-as-structure: innovation ecosystem led by keystone actor driving delivery to unique, multilateral, multi-actor value proposition, co-creating and capturing new value.
Response sub-strategies	“Leverage” : core competency & technology “Acquire” : own new competitive competence “Defence” : extend to hold off challengers These strategies work to reinforce current value proposition and value chain optimisation.	Directing absorptive capacity to build new competitive competence and create and direct networks of learning” Multi-actor innovation orchestration Adapting Alliances for emergent innovation & organisational transformation Niche-ing : autonomous organizational unit	Dynamic value proposition. Designing a service ecosystem with the customer as resource integrator and value co-creator Multi-actor innovation orchestration to build competing network or ecosystem Fringe first. Inclusive and empowering innovation Radical competence. Radical collective learning, reframing and aligning/alliancing to create unique competence
Resource focus	Exploit core competence & acquire rather than develop new capabilities. Operand resource focused	New competence acquisition and development – Directing & creating absorptive capacity. Operand & Operant resource focused	Dynamic learning potential: new knowledge and competence development for advantage. Operant resource focused
Mobilising resources	Mobilisation through accumulation and leverage.	Mobilisation through accumulation, leverage and convening. Shifting emphasis to social skills and mobilising competing frames or interpretations. Translation, ‘interessement’, enrolment and mobilisation of Actor Network Theory.	Mobilisation through orchestration
Locus of power	Power in hierarchy and structure and change through top-down diffusion	Power in hierarchy & structure and emergent in networks & social capital. Change through diffusion and translation – increasingly dialectical and relational and distributed.	Power in ecosystems, networks, social capital & strategic alliances. Change through translation, ‘interessement’, enrolment, mobilisation
Agency	Routine boundaries and practice evoke iterational (habitual) and practical evaluative (sensemaking) agency when these are challenged.	A mix of routine boundaries and practice and shifting or new boundaries and new practice evoke iterational (habitual), practical evaluative (sensemaking) and projective (strategic) agency. A safe adaptive space is necessary for projective agency to effectively determine the new.	Cross boundaries and collective complex practice evoke practical evaluative (sensemaking) and projective agency (strategic).
Challenges	Retaining acquisition uniqueness & challengers force incumbent up the curve.	Tension between exploitation and exploration agendas	Access to resources and patience for growth

Chapter 4: Methodology

“A methodology is not a cookbook; rather, it provides scholars with orienting principles and tools that always need to be modified and customized... it is important to create a theory-method package 'fit'” (Gehman et al., 2018, p.297).

4.1 Research design

My research is focused on the insurance industry (life and health) as a mature industry and my research methodology is a practical route to answering my research question of how a mature industry can navigate disruptive turbulence and which strategies are effective to become disruptive too?" I have sought to identify distinct disruption response strategies adopted and applied by industry actors.

I have found that while aspects of this understanding are present in the work of many scholars across a diversity of domains as highlighted in chapters two and three, a more comprehensive response framework to guide strategy formulation, decision-making, and leadership, is lacking. The purpose of this research is to discover and present such a disruptive innovation response strategy framework, grounded in experience and of value in practice - one that allows a mature industry to make sense of and determine appropriate disruptive innovation response strategies.

4.1.1 Epistemology and method

Given my question of how, the research firstly aims to explore how organisational actors in a social setting understand their circumstances or surroundings and how this affects their orientation towards disruptive influence and innovation - in other words, their lived experience of it (interpretive, constructivist). Secondly, the research aims to explore and understand the practice dynamics in organisational life that affect the organisational orientation towards disruptive influence and innovation (processual). While my research study is a cross-sectional and not a longitudinal

study, there is observational value in the processual approach, which I have applied in my analysis of the data. Thirdly, the research aims to understand from an action point of view, how professionals and actors engage with disruptive influence and innovation in practice (pragmatic), to understand how a theoretical framework would be useful. Langley (2007) refers to the 'strategy as practice' perspective with its focus on strategy as 'something that people do' and with its orientation towards the detailed description of these activities. A theoretical framework emergent from the research would need to be of value in this context.

Given the purpose of my research, to discover how a mature industry navigates disruptive influence and becomes disruptive too, I have drawn on interpretive/constructivist, processual and pragmatist research approaches, using the classic (original) grounded theory method of Glaser & Strauss, (1967) as my foundation.

My grounded theory method has been influenced by the parallels of Pierce's philosophy of pragmatism as set out by Alvita K.Nathaniel (Martin & Gynnild, 2011) and the interpretive, narrative approach to theory building by Gioia (Gehman et al., 2018; Gioia, Corley, & Hamilton, 2013). I have also been inspired by the more dynamic and temporally sensitive processual approach to theory building, as set out by Langley (2007). These combined influences and sensitivities guided the search for and discovery of the multiple perspectives and experiences of diverse industry actors and the underlying or latent pattern in response to disruptive influence and ambition. They also influenced my efforts to abstract insight and new understanding into a conceptual, response strategy framework that would be of value in practice.

I have also recognised the research process as a rigorous and a creative one. So, while rigour is fundamentally important, a personal and creative application to the work is required as well. I have recognised too that no resultant theory is the result of a neat and linear, step-one-to-four

approach. In fact, the research process has been iterative, circuitous and richer for that curious detour. It has added to rigour and markedly improved the research output.

Eisenhardt (Gehman et al., 2018, p. 293) states that “we all use a much more creative process that can't accurately be turned into a linear, mindless, step-by-step description. That just isn't what we do”. Here follow the considerations of the many alternative approaches to grounded theory and qualitative research in general and the decisions determining the approach to the design, and execution of the research.

Glaser describes grounded theory as a ‘theory of resolving the main concern’, a theory that can be systematically generated or ‘discovered’ directly from data. Grounded theory, therefore, is an innovative inductive method that leads to the discovery of theoretically complete explanations about phenomena. This ‘discovery of theory’ aspect of grounded theory suits my search for a conceptual framework that does not yet exist.

For all its richness and potential for discovery, qualitative research is often criticised for lacking in rigour. The grounded theory method comes to its rescue with its rigorous scientific standards and production of systematic, non-biased emergent new truths.

Grounded theory splinters into streams of constructivist/interpretive, objectivist/positivist, and classic grounded theory. Classic grounded theory proponents argue that classic grounded theory effectively incorporates reasonable elements of both - constructivism/interpretivism, and objectivism/positivism - without being either. Classic grounded theorists argue that Glaser (1992, 1998, 2003) maintained that grounded theory is not qualitative (which tends towards constructivism), nor quantitative (which tends towards objectivism). Instead, Glaser argued that it is a unique, general, inductive, concept/theory generating method that may borrow from both (Martin and Gynnill, 2011, p. 23). I agree.

Alvita Nathaniel (Martin and Gynnil, 2011) finds a strong correlation between classic (original) grounded theory and Charles Sanders Peirce's philosophy of pragmatism. She argues that the epistemology of pragmatism and classic grounded theory is very similar. Both, she says, rely on classification and clustering of symbols (indicators) to comprehend concepts. Both recognise that each person understands and interprets symbols from their unique perspective. Both propose that reality can be known ideally through the use of a self-correcting scientific process and that both utilise deduction, induction, and abduction as a means of discovering knowledge. Grounded theory's real-world orientation and alignment with the philosophy of pragmatism, make it particularly appropriate for my research. Shepherd and Suddaby (2016) also recognise the orientation toward practice - how organisational activities are constituted and enacted by actors – as an important source of empirical material for stimulating theorising on management phenomena.

Langley (Gehman et al., 2018) argues that depending on which analytic strategies you use, the kind of theory that you will produce will be different. For example, she says, with a narrative strategy, and using the grounded theory strategy, you will develop an interpretive theory, focusing on the sense given by participants to a phenomenon that provide a sense of participants' lived experiences. Alternatively, another kind of theoretical product, she says, is the recognition of a pattern when you identify similarity in sequences of events for a phenomenon across different organisations. This processual thinking, she says, is concerned with the multiple and flowing nature of outcomes, the rippling consequences that spread out over time. She argues that process thinking involves the consideration of how and why things - people, organisations, strategies, environments – change, act and evolve or how such things come to be constituted, reproduced, adapted, and defined through ongoing processes.

Another reason she argues that process thinking is critical is from the perspective of practitioners - to situate process thinking in the 'strategy as practice' movement, and to recognise the

temporal dynamics of strategy-related phenomena. Langley (2007, p. 275) highlights a notable example of Dougherty's (2004) study of innovation and Mantere's (2005) study of championing, which both show how organisational participants do activities that contribute to effective product innovation in the first case and strategic novelty in the second. Both of these studies devote attention to the recursive or adaptive nature of lower-level practices and how these may be encouraged or constrained by the practices of managers at other levels". This example highlights the need in the research to pay adequate attention to process, events, and practice and how this might influence response strategies to disruptive influence and ambition.

While process studies are longitudinal and data need to be collected over a long enough period to capture the rhythm of the process studied, this was not planned nor possible in my research process. However, the processual approach has influenced my research study which takes an interpretive approach with a sensitivity to events, process, and practice affecting the choice or development of response strategies.

4.2 Research sample and rationale

Through purposive sampling, I identified a sample group of twenty-seven participants from the South African insurance industry (life and health sector) and its larger industry ecosystem. I purposefully selected leaders at the heart of organisational and industry innovation in insurance companies, reinsurance companies, industry-related start-ups, innovation hubs, accelerators, venture capital firms, consultants, and senior executives within provincial government and industry regulatory bodies. I chose this diverse group to ensure that I collected perspectives from the entire industry ecosystem. I wanted to discover both established and emergent views. Within this range of views, I wanted to understand both the nascent influences as well as well-established forces shaping the worldview and response strategies of incumbents. Also, to explore the power of narrative in creating new and alternate futures, I interviewed two outliers, a digital storyteller and a futurist and

world-building academic and practitioner. The data from these outlier interviews, however, proved challenging to link to the data of the rest of the interviews. This data are, therefore, excluded from the findings. Table 10 below shows the diverse stakeholder participation in the research study.

Table 10
Research participant list

#	Stakeholder	Position	Role	Transcript
1	Participant #1 Insurer	Divisional Executive	Shared Value Solutions	Yes
2	Participant #2 Insurer Innovation Hub	Head of Innovation Capability Build	Capability Build	Yes
3	Participant #3 Insurer	Chief Actuary	Innovation Capability Build	Yes
4	Participant #4 Insurer	Chairman & ex Minister of Finance	Governance	Yes
5	Participant #5 Insurer	Head of Member Value Proposition	Customer intimacy	Yes
6	Participant #6 Insurer	Product Development	Product innovation	Yes
7	Participant #7 Insurer Innovation hub	Managing Partner Integration	Innovation integration	Yes
8	Participant #8 Reinsurer	Regional Director Life & Health	Corporate Leadership	Yes
9	Participant #9 Consultant	Ex industry CEO, Board Member	Challenger	Yes
10	Participant #10 Consultant	Lead Consultant, Executive Director	Innovation Capability Build	Yes
11	Participant #11 Consultant	Consultant, Mining Industry	Innovation Capability Build	Yes
12	Participant #12 Incubator, Academia	Founder	Entrepreneur Development	Yes
13	Participant #13 Corporate Accelerator	Ecosystem Development & Strategy	Investment Executive	Yes
14	Participant #14 Corporate Venture Scout	Product Owner: Fintech	Challenger Search	Yes
15	Participant #15 Regulator	Head of Fintech	Innovation Enabler	Yes
16	Participant #16 Provincial Government	Cape Catalyst	Innovation Enablers	Yes

17	Participant #17 Provincial Government	Economics Head	Innovation Enablers	Yes
18	Participant #18 Provincial Government	Head of Digital	Innovation Enablers	Yes
19	Participant #19 Venture Capitalist	Investments and Projects	Investment	Yes
20	Participant #20 Start-up	Founder, CEO	Pioneer	Yes
21	Participant #21 Start-up	Founder, CEO	Pioneer	Yes
22	Participant #22 Start-up	CEO	Pioneer	Yes
23	Participant #23 Start-up	Head of Product & Pricing	Pioneer	Yes
24	Participant #24 Digital Storyteller	PhD Student	Narrative insight	Yes
25	Participant #25 Futurist, World Builder	Teacher, practitioner, consultant	Futurist, World Building	Yes
26	Participant #26 Start-up	CEO	Pioneer	Yes
27	Participant #27 Corporate Investor	Investment Executive	Fintech investment	Yes

4.3 Context

As mentioned in the introduction of this dissertation, in 2016 and 2017, I conducted a South African study (Amos, 2016b) and global research study (Amos, 2017) for Gen Re, a global reinsurer⁹. In the South African study, I interviewed thirty-five industry leaders, futurists, academics, innovators, and thought leaders, exploring their views of the future and the emergent challenges to the insurance industry (life and health). In the global study, I interviewed a further seventy people from the United Kingdom, Singapore, China, Hong Kong, the USA, and Australia. These studies told a story of an era coming to an end, offering little advice on how to meet this new world in the

⁹ These research documentaries are available to view. Click on vimeo link to view: [2016 study https://vimeo.com/238815135](https://vimeo.com/238815135) and [2017 study https://vimeo.com/235313449](https://vimeo.com/235313449)

making. It was this gap of how to respond to disruptive influence that has inspired the need for this research and the identification of a response strategy framework that would be of value to the insurance industry specifically, and also to other mature industries in general.

A further online study (Amos, 2018) amongst industry incumbents and a small number of start-ups supported by Gen Re, revealed a short-term focus on competitiveness and improving business-as-usual, postponing the less familiar and more challenging innovation to a longer-term focus (See appendix 2 for this survey). The focus on short-term competitiveness would suggest an industry still heavily invested in its current frame, yet with an ambitious view of the future - making it an ideal domain for this research study. Figure 4 identifies the dramatic swing from short to longer-term strategic focus and figure 5 a similar swing in innovation focus too. This survey, conducted before Gen Re's 2018 annual client conference, aimed to establish their clients' strategic and innovation focus for the short, medium, and long term.

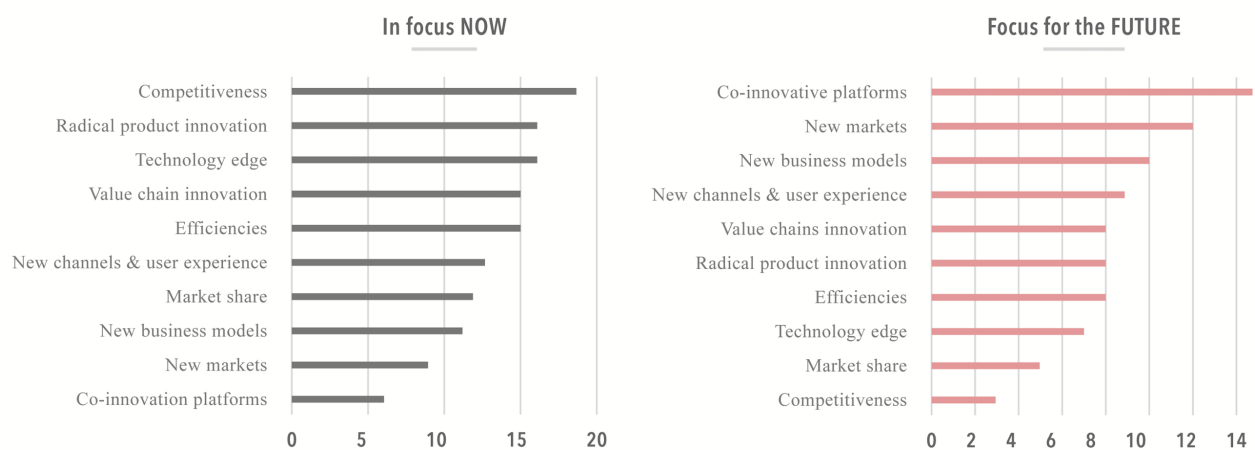


Figure 4: The radical shift in short and long-term strategic focus in the insurance industry

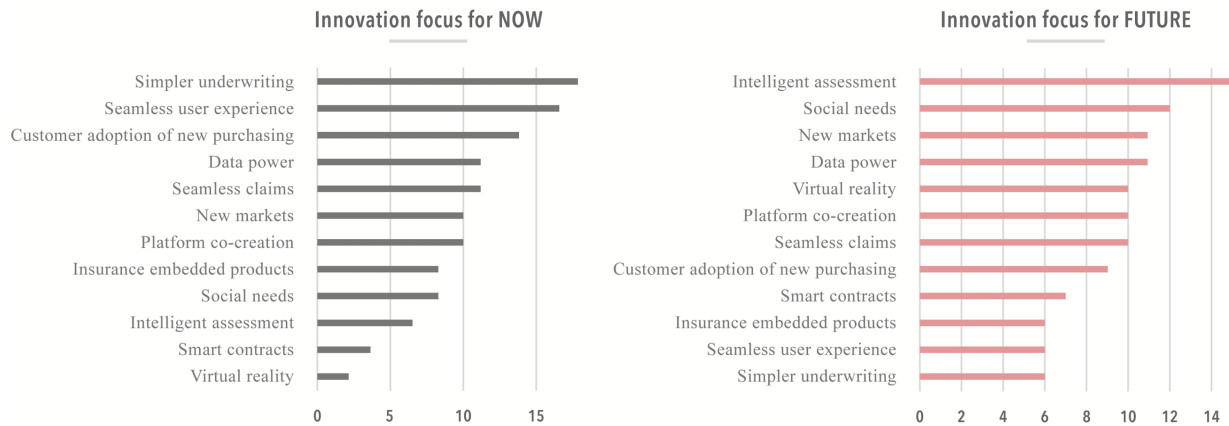


Figure 5: The radical shift in short and long-term innovation focus in the insurance industry

This prior research (Amos, 2016, 2017, 2018) has been pivotal to my decision to pursue this research study and has also prepared me for this study with a foundation of rich understanding and insight to build upon and expand. I enter the field of inquiry with a clearer sense of the pressing need within the industry to know how to design and execute on response strategies that will support survival and leadership in these unprecedented, uncertain and extraordinarily disruptive times.

4.4 Data collection

4.4.1 Interviews

I conducted face-to-face, semi-structured interviews with a diverse range of twenty-seven industry and non-industry actors (see Table 10) to discover and construct through induction, deduction, and abduction, a conceptual disruptive innovation response strategy framework. The interviews with research participants took place from November 2018 to the end of January 2019. Each interview lasted an hour. All interviews were recorded and transcribed. I designed the research questionnaire to extract:

- personal experience of change in the past and present,
- personal and collective/organisational understanding of innovation, how it is spoken about and placed in relationship with other strategic and business priorities,

- the level of awareness of outside influences and drivers of change and the fluidity of an organisational response to this,
- how these drivers shape processes, models, expertise and the scope for change,
- how innovation is resourced and measured and,
- how leadership, collective engagement, and mobilisation take place.

The questionnaire for incumbents in a mature industry, is set out below. This questionnaire framework was adapted to be relevant to the other stakeholder groups amongst the research participants. These questionnaires are in appendix 1.

The questionnaire for insurance industry incumbents

Introduction and change experience

1. How long have you worked in or been associated with the insurance industry?
2. Describe industry shifts, significant change or unexpected disruption that you have witnessed, led or participated in at any time in your career?
3. What were the drivers of the change at the time and how did it come about?
4. Describe your experience of it and your role in it?
5. How did this change impact you and your company and the teams you were leading at the time?
6. Describe the learning and personal growth gained from this experience and how this has informed the way you lead change and innovation today?

Understanding innovation

7. What does the term innovation mean to you?
8. Has your understanding of innovation changed over time and if so, can you explain this change and its significance to you and your company today?
9. How do you talk about innovation in your company?

10. What does innovation need to achieve for your company and explain why these goals are significant?
11. Describe the relationship between your company's innovation and business strategy? What links them, and what sets them apart?

Disruptive forces and responses

12. Describe the potential forces of disruption present in your industry today and how these forces are influencing the way your company approaches innovation?
13. How is your company navigating the turbulence brought about through disruptive forces?
14. How can these disruptive forces create a degree of obsolescence in your industry and initiate a new wave of potential that your company could drive or be part of?
15. How does your innovation strategy consider and incorporate these potentials?

Drivers, processes, models, the scope of change

16. Describe the key drivers that inform your approach to innovation/reinvention?
17. How and why has this changed over the past five to ten years?
18. Describe what this change has meant to you and your company and how you approach innovation today?
19. Describe your company's process of discovering, imagining, and assessing future potentials?
20. How does your company go about narrowing and defining your innovation/reinvention focus - for the short term, medium-term and longer-term and for incremental and disruptive innovation?
21. Are there any specific models, thinking frameworks, methods you refer to or use in shaping and defining your innovation strategy, and how are these helpful to you and your company?
22. Describe the scope of your innovation/reinvention focus in relation to your industry, other industries, and even industries that may not yet exist?

23. Who is part of your innovation/reinvention inquiry and strategy development process – internal to your company and beyond and why are these specific people/ teams tasked with innovation for your company?
24. How has the make-up of this team changed over the past five to ten years, and what and who is driving this change?
25. Have you recruited new and alternative skills for innovation/reinvention in the past five years, and if so, what are you hoping this new skill will contribute to the current innovation/reinvention focus and need?
26. Where do you, as a leader, turn to for insight, help, and guidance in the context of innovation/reinvention focus and strategy development – internally, externally, locally and globally?

Innovation/reinvention process

27. Describe your company's innovation/reinvention process from start to finish?
28. What are the current strengths and shortcomings of your current approach?
29. How does your company structure support/enable innovation/reinvention?
30. How does your company culture support/enable innovation/reinvention and purposefully harvest innovation/reinvention effort to benefit the company in its day-to-day operations?
31. How is your innovation budget allocated across incremental versus disruptive innovation, and across short-term to long-term innovation/reinvention horizons?
32. How does your company determine the allocation of resources to innovation/reinvention initiatives and time frames in your company?
33. How are innovation/reinvention initiatives assessed, monitored, supported?
34. How do you, as a leader, balance the short-term performance pressures with long-term growth and innovation/reinvention opportunities?

Engagement and mobilisation

35. What is your existing company story, and how does your innovation/reinvention journey change that narrative?
36. How is that emerging narrative created or co-created, and how is it mapped and linked to the existing corporate narrative?
37. How do you frame and share your company's innovation strategy and emerging narrative - internally and externally to your company?
38. How do you engage and mobilise critical agents, partners, stakeholders around your innovation strategy, and emerging narrative?
39. How do you navigate conflicts between business-as-usual and emerging narratives that may seem threatening to some?
40. How do you get existing institutional agents and co-creators of your innovation initiatives to shape the emerging narrative collectively?

The questionnaire served as a guide to my semi-structured interviews and acted more as a conversational prompt than a set course of questions to be asked and answered. By the time of interviewing, I was familiar with the questionnaire framework, and used this clarity to introduce questions where they became relevant in the conversation or to give the conversation impetus and movement into a deeper and more extensive exploration. The questionnaire, therefore, equipped me to be not only a better and more attentive listener but also a sensitive prompter and inquirer. I made a concerted effort to remain alert to the informant's lived experience and views, to treat them as 'knowledgeable agents' (Gioia et al., 2013).

All research participants were aware of my overarching research question (how does mature industry navigate disruptive influence and become disruptive too?), this being the core focus of my conversational exploration with them. Participants were also appreciative of the question prompts to

help unearth their inner thoughts and musings that lay hidden from their view. In other words, the questions helped the research participant to think more deeply about the overarching question in focus. The questionnaire facilitated the ‘grand tour’ that the overarching research question invited.

4.4.2 Other data sources

While the twenty-seven interviews were my primary source of data, my research was further strengthened with the backdrop of earlier research studies I have performed for Gen Re, as already mentioned (Amos, 2016b, 2017, 2018). These studies prepared me with a sensitivity to the complexity of designing response strategies in times of such exponential uncertainty and growing interconnectedness.

4.5 Data analysis

I studied each transcript extracting key insights and capturing and categorising them on an excel spreadsheet. This first set of sensemaking categories emerged as:

- Innovation definitions/descriptions
- Innovation influences
- Enablers of innovation
- Innovation risks and challenges
- Mature Industry challenges
- Structuring for innovation and innovation leadership
- Innovation skills and culture
- Interface innovation and seeking customer intimacy and inclusion
- The network-effect, ecosystem collaboration and evolution, and
- The use of narrative for innovative change.

From this first level of analysis I was able to create a big picture view (a visual map) of the context, describing the current orientation and innovation focus of each stakeholder group. This big

picture view highlighted a mature industry secure in comfort but feeling the pressure to change as new innovative players enter the industry ecosystem, as consumers become increasingly distrustful and defiant, and as incumbents experience the innovation integration challenges, and as global and local regulatory requirements become more complex and uncertain. Figure 6 sets out this big picture view.

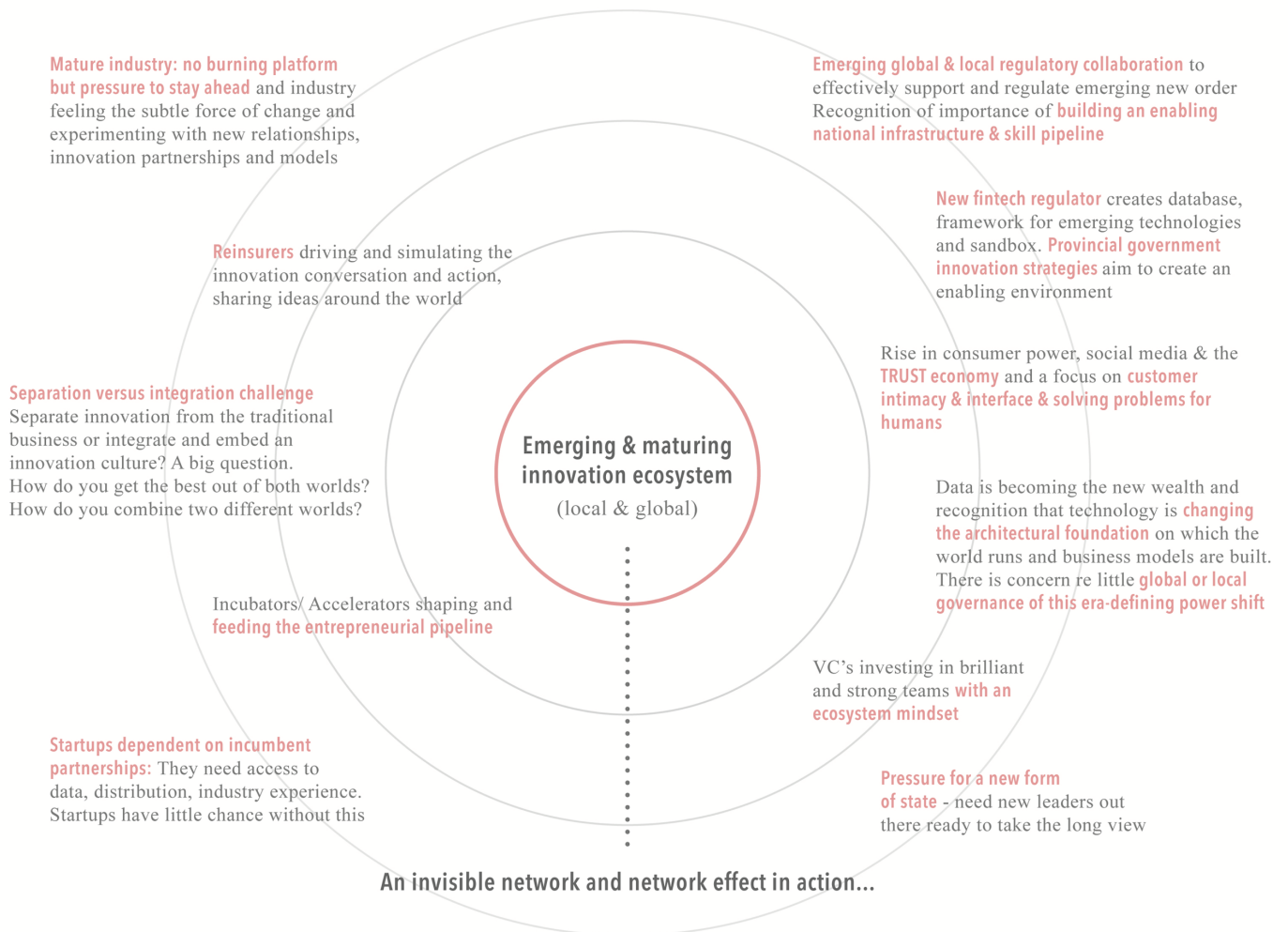


Figure 6. The big picture overview of the context for disruptive response strategies

I then extracted from the data innovation approaches or models of each of the incumbents interviewed. I identified six specific innovation approaches or models and visualised these approaches. See figure 7, a visual map of the six industry approaches to innovation.

Visual map of six industry approaches to innovation

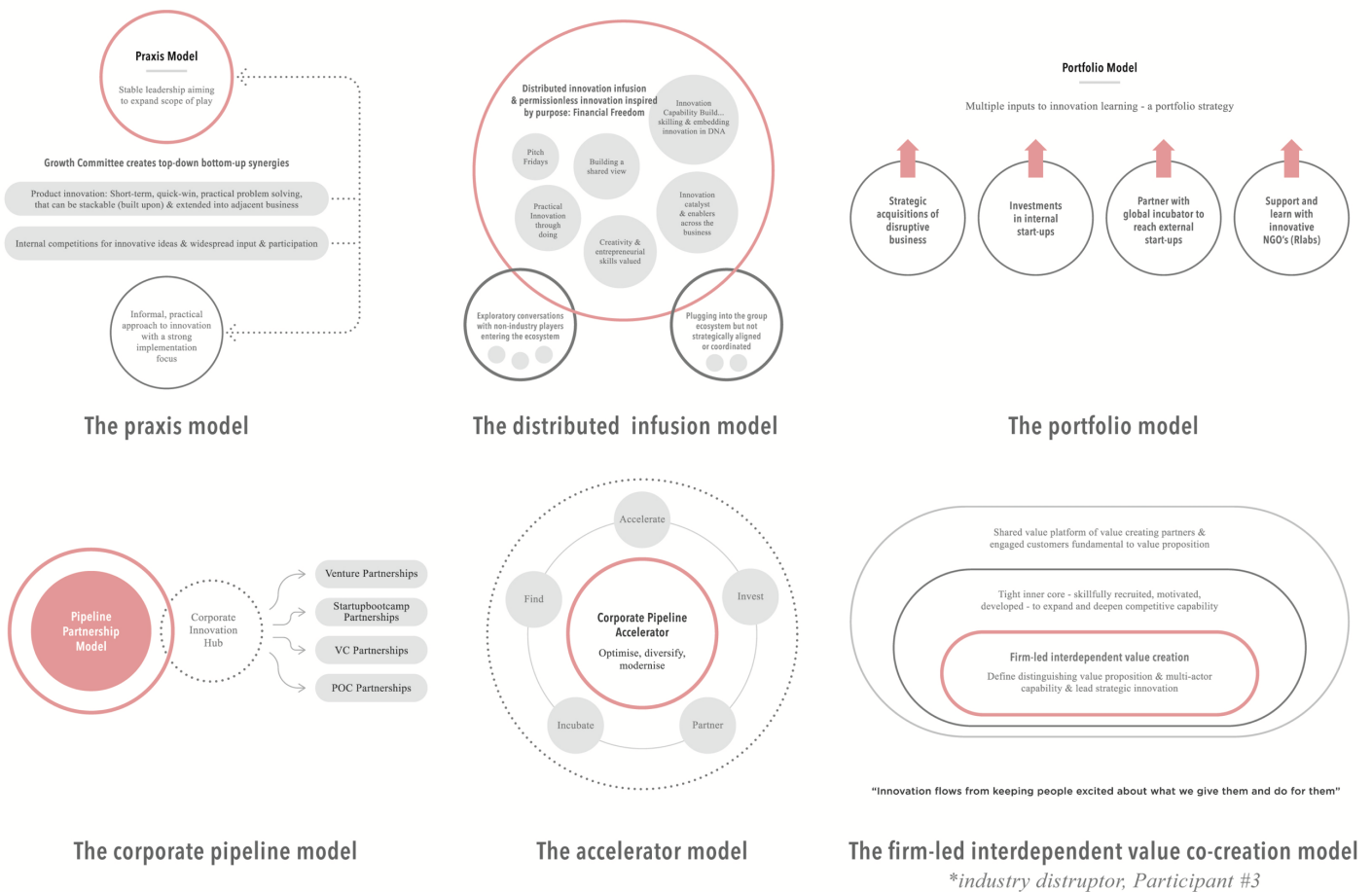


Figure 7. A visual map of six industry approaches to innovation

I compared these models to note the differences, similarities and what, in particular, made the lead industry disruptor approach different or unique to the rest of the industry incumbent approaches. In this process I identified three distinct differences that created disruptive advantage for the lead industry innovator. These were:

- Clear, directing and visionary leadership of an innovation orientation that placed customer and partner co-creation of shared value at its heart, making this a “spontaneous lived experience” within the incumbent organisation, for the customer, and for their value co-creation partners,

- A unique and inclusive value proposition that stood out from the industry norm, and
- An ecosystem, multi-actor model of delivery to this unique value proposition.

In the further comparison of incumbent approaches, I also noted that four out of the other five models were structured to address the ‘separation versus integration’ challenge of innovation in mature incumbents.

This first-order analysis, therefore, resulted in five differentiator codes shaping disruptive response strategies. These differentiator codes are: (1) innovation orientation, (2) value proposition orientation, (3) integration versus separation orientation, (4) ecosystem orientation, and (5) innovation approaches and models. I define differentiators as those key factors that lead to alternative paths or approaches.

In the second-order analysis, I returned to the data to seek the more detailed aspects of the differentiator codes defining response strategies. I then looked to categorise these second-order codes by examining their effect, that is whether they (1) produced more of the same with no or little change to value proposition, (2) created a shift from business as usual, or (3) created something radically different to the industry as it is known today. These distinctions led to the final identification and naming of three broad response strategies - Adapt, Regenerate, and Transcend and the sub-strategies within these higher-level categories.

Table 11 sets out the coding framework, and Table 12 presents an example of the coding table. For a complete coding table, see appendix 3.

Table 11: *Coding framework*

First-order	Second-order	Strategies	Sub-strategies
Innovation orientation	<p>Leadership disconnect Focus on adapting Conservative Limited innovation Solid books Unthreatened by start-ups</p> <p>.....</p> <p>Improvement focused Doing something better Digitising existing offering Buzzwords</p> <p>.....</p> <p>New solutions, Solution partnerships, Short- & long-term mix of solutions</p> <p>.....</p> <p>Virgin territory White space Radical business model change</p>	<p>Context</p> <p>Adapt</p> <p>Regenerate</p> <p>Transcend</p>	<p>Copy and paste Leverage quick wins Adjacencies</p> <p>Emergent through partnership Building collective absorptive capacity Niche-ing</p> <p>Dynamic value proposition changing the playing field</p>
Value proposition orientation	<p>Client and human disconnect Barriers to inclusivity</p> <p>.....</p> <p>Digitising traditional value proposition User experience focus</p> <p>.....</p> <p>Towards customer intimacy Responding to customer pulling power Inclusivity and trust Deep curiosity and listening for new understanding From transactional to relational Creating opportunities to engage Customer success & empowerment focus</p> <p>.....</p> <p>Multi-actor co-creation Shared value</p>	<p>Context</p> <p>Adapt</p> <p>Regenerate</p> <p>Transcend</p>	
Ecosystem orientation	<p>An ecosystem network effect Open innovation Dominant ecosystem design Country ecosystem</p> <p>.....</p> <p>Firm-centric innovation Fixing & streamlining core business</p> <p>.....</p> <p>Pipeline development Experimental collaboration and creative partnering Reinsurer as ecosystem connector The network effect</p> <p>.....</p> <p>Innovative multi-actor business models Ecosystem solutions</p>	<p>Context</p> <p>Adapt</p> <p>Regenerate</p> <p>Transcend</p>	
Separation versus Integration orientation	<p>The integration challenge The fintech/insurtech industry divide</p> <p>-----</p> <p>Acquiring but not mixing</p> <p>Multi-pronged strategies and niche-ing</p> <p>Co-creating</p>	<p>Context</p> <p>Adapt</p> <p>Regenerate</p> <p>Transcend</p>	
Innovation models	<p>Praxis: Internal, practical Portfolio: A mixed bag of acquisitions & investments</p> <p>Diffusion: Creating a community of solvers, Pipeline: A strong feed of entrepreneurial content Niche-ing: Separating and investing</p> <p>Firm-led interdependent value creation</p>	<p>Adapt</p> <p>Regenerate</p> <p>Transcend</p>	

Table 12 *A sample of the approach to data analysis and coding*

First-order differentiators	Second-order distinctions	Interview extracts... some examples	Aggregate dimension
Innovation orientation	Improvement	<i>I think innovation is better ways of doing things. It might be a product, or a way we handle an amendment to a client policy. So, when we see innovation happen everywhere from the facilities department all the way through, it's about improving the way of things to make it quicker, easier, cheaper and all of those things. Incumbent</i>	Adapt
	Life solutions	<i>So, it's about starting to understand that customers see you as the solution in their life, not necessarily as a tick box in one area. So that's how I think of innovation. Incumbent</i>	Regenerate
	White space, virgin territory	<i>"Particularly in the insurance space, I think innovation is in a sense virgin territory, where it's an area of the market where you've never been before". Reinsurer Innovation is seeing the white space, a space that nobody else is playing in and that comes from really deep emergence in your customer's life, that comes from understanding and immersing yourself in a customer's every-day, sort of walking the journey with them". Incumbent</i>	Transcend
Value proposition orientation	Digitising traditional value proposition	<i>"To some extent some of the innovation is just taking us into a digital realm - digitising everything you have, and that means that you can then give your client an end-to-end seamless experience on some sort of a device. That's just digitising what you have, you haven't really changed anything". Incumbent "When you understand insurance, you will see that the products themselves have not changed in centuries. I think the focus is on adapting to changing customer expectations to have an insurance relationship on your phone in the digital realm". Start-up</i>	Adapt
	Towards customer intimacy	<i>"The "lead innovator" leapfrogged everybody in a sense because they started to understand, by having deep data insights, you can actually create unique value propositions. Just by understanding what they're (customers are) grappling with you can start connecting the dots between their lives and what we want to offer. It's an immersion externally and an immersion internally". Incumbent</i>	Regenerate
	Multi-actor co-creation	<i>"We are engaging with players outside of the traditional sector and looking at MNOs (Mobile Network Operators) as a classic example, and businesses in the telecom space, who are encroaching on this space but don't necessarily have the expertise to do it. They have the distribution, franchise and branding but they don't have the skills to go and execute on a financial services type of mandate". Venture Capitalist/Accelerator</i>	Transcend
Ecosystem orientation	Firm-centric innovation	<i>"Now Aviva is a 400-year old company, Old Mutual, a 160-year old, Liberty 60. I mean with that amount of time, things just get a mess and so complexity reduction, simplification, big data and when you are trying to dedicate resources towards that, even if you want to have an innovation or a "thinking different agenda", it requires a very different mindset to fix than to have the freedom to blue sky, so I think companies reaching the maturity or reaching a realisation that you need to fix and simplify was a big driver rather than innovation". Incumbent</i>	Adapt
	Corporate pipeline and experimental collaboration	<i>"There's a three-prong look at how to do that and that is "optimise, diversify and modernise" and what that means is making sure that you touch the businesses with regard to getting those three pillars right. Alphacode fits within the modernise element of it, where we are saying how do we get into new businesses or how do we get a portfolio of businesses that is going to be the next generation of financial services innovation". Accelerator "There is definitely more access to people or networks of people. It's circles we haven't moved in in the past, because of where we are at, but that has grown substantially and changed. What we find as well, is once you start doing business with one person, they open up to five or six other people suddenly, because of the networks of their collaborations and their spaces that they work within". Reinsurer</i>	Regenerate
	Innovative multi-actor business models Ecosystem solutions	<i>"It's a huge amount of work to make sure that the partners don't step on each other's toes, to make sure that everybody is happy with what they get out of the relationship. It's hugely complex and requires a huge, expensive infrastructure. But it is what we do. So, the partnership with Apple, for instance, has developed into a global thing now. Next week they're actually coming to London with us to present the results of our research on what Apple Watch has just done to make people healthier - because there is no data anywhere else in the world that can prove that. So those relationships become entrenched". Incumbent "So, Liberty is finally, through Dave Munro's influence, thinking about an ecosystem context rather than a product house context - like health ecosystems, retirement ecosystems, that sort of thing". Incumbent</i>	Transcend

<p>Separation vs Integration orientation</p>	<p>Acquiring but not mixing</p>	<p><i>"There's probably a little bit of a mixed bag. They bought about 30% of Easy Equities a couple of years back, which is a genuine tech-based investment platform start-up and then they used the same technology to get behind a SATRIX product. And then with us, it was basically, have some funding and see what you can do, and it may work, and it may not work. Then Sanlam are quite keen on buying businesses that are demonstrably working - so they own 50% of Brightrock, for example, which was probably five years old when they bought it - basically the economics worked. What they've also done now, they've got this relationship with Plug and Play in Silicon Valley that connects them with start-ups. From what I've seen, it's the same approach that Momentum is taking. Either you going to innovate yourself or get innovation from the outside."</i> Start-up</p>	<p>Adapt</p>
	<p>Multi-pronged strategies and niche-ing</p>	<p><i>"The integration part has become more important ... you can't always blend the business of today with the business of tomorrow, without changing something in the business of today, so therefore you have to prove it".</i> Corporate Innovation Hub</p> <p><i>"It is very seldom that you will see an innovation take off in the mainstream business where it's incubated, and it actually becomes a successful venture. You have to have a separate entity, or a form, or a place where you create these ideas, test, experiment, get them out and see if you can scale them before they can go into a larger organisation where it starts making sense to incorporate them into the day-to-day operational processes".</i> Consultant</p> <p><i>'I think it will be like multi-pronged kind of strategies and it probably will look very different for different companies, but like a combination of investing in start-ups, partnering with start-ups, trying to co-opt them, maybe have strategic alliances and also with companies in completely different industries - that might help them understand consumers better, and through that, provide more value to the users"</i> Venture Capitalist</p>	<p>Regenerate</p>
	<p>Co-creating</p>	<p><i>"We have longstanding partnerships with many organisations and we're building many more, all the time. So, the partnership with Apple for instance, has developed into a global thing now".</i> Incumbent</p>	<p>Transcend</p>
<p>Innovation Models</p>	<p>Praxis & Portfolio</p>	<p>Praxis: <i>"The journey of innovation is unfortunately not one that can be too couched in theoretical thinking. So, it's then to have a lot of quick wins and when people start seeing quick wins, they start to buy in"</i> Incumbent</p> <p>Portfolio: <i>"There's probably a little bit of a mixed bag. They bought about 30% of Easy Equities a couple of years back. And then with us it was basically, have some funding and see what you can do, and it may work, and it may not work. Then Sanlam are quite keen on buying businesses that are demonstrably working - so they own 50% of Brightrock, for example, which was probably 5 years old when they bought it - basically the economics worked. What they've also done now, they've got this relationship with Plug and Play in Silicon Valley that connects them with start-ups. From what I've seen, it's the same approach that Momentum is taking. Either you going to innovate yourself or get innovation from the outside. So, it seems to me that they are trying both approaches"</i>. Start-up</p>	<p>Adapt</p>
	<p>Diffusion, Pipeline, Niche-ing</p>	<p>Diffusion: <i>"if the culture and the environment and the narrative supports that you can experiment with things, it goes a long way to changing the outcomes because then you actually start building up your community of 'solvers". So, you've got lots of people trying to solve, which is not the Discovery way as it all happens in the boardroom, but in Liberty's culture, you need more people who are not afraid to go forth and conquer without consequence. So, some people term it as 'permissionless innovation'.</i></p> <p>Pipeline: <i>"this ecosystem effect, what we're trying to really focus on and constantly ensuring, is that we are getting new people to feed into the space who are interested in becoming Fintech players because for South Africa that's one of our bigger challenges, being able to find guys who are going to start a lot of businesses because the stats always say you are going to have one in ten, probably a bit better than that, but let's say two out of the ten, that succeed. So, you just need a lot more people feeding that pipeline of potential businesses, so that we can discover the really meaningful ones"</i>. Accelerator</p> <p>Niche-ing: <i>"I've spoken to a few CEO's at a conference that really support the idea of separating the legacy from the innovation.... And the legacy teams need to - you stretch them within a different paradigm, in an older paradigm, to be the best at a more traditional and you set something up on the side which is totally different or you invest in something else, because you need to, as a company, to decide how are you going to share in the future economically..."</i> ex Incumbent CEO</p>	<p>Regenerate</p>
	<p>Firm-led interdependent value creation</p>	<p><i>I also believe innovation needs to encompass a form of partnership. You can't solve all the problems of the customer yourselves. It's being able to understand how you can link what somebody else is doing to something you're doing and then create something unique.</i> Incumbent</p>	<p>Transcend</p>

There was a point in the data analysis where the data was raising more questions than explaining phenomena. These questions arose around:

- the definition, construct, and nature of ecosystems, (there was no clear and unifying understanding in the industry with mixed use of the term)
- the dilemma of the operational and innovation tension, (the separation/integration dilemma in the industry was evident and without strategic understanding or solution)
- the evolution and role of value proposition and its impact on innovation thinking and strategy (while the industry knew a value proposition shift was critical to innovation, there was no strategic framework to guide their thinking in this regard).

This led me to expand my literature review and seek answers to the questions the research had raised. Once I had satisfied myself that the literature review was complete, I then returned to the research results with not only a richer understanding and deeper insight, but also with a conceptual response strategy framework constructed from the extant literature. Now the research findings were beginning to stack up against a wide range of literature too.

Shepherd and Suddaby (2016) argue that effective theorising is a process in which the researcher moves iteratively between the gaps observed in the phenomenal world and those observed in the extant literature. Indeed, they say, it is often the tension created by a gap between the literature and the phenomenal world that ultimately triggers the need for a new theory.

4.6 Strategies to ensure rigour

In seeking the measures of reassurance for qualitative rigour Maxwell (1992) asks the question: How can an inquirer persuade his or her audiences that the research findings of an inquiry are worth paying attention to? In answering, he argues that in qualitative paradigms, the Credibility, Neutrality or Confirmability, Consistency or Dependability, and Applicability or Transferability are to be the essential criteria for quality.

In my attempts to confirm this 'Credibility, Neutrality or Confirmability, Consistency or Dependability and Applicability' rigour, I checked my data analysis and findings at a number of development points. Firstly, as soon as I had developed a big picture view, I shared this with a number of research participants to check my understanding of their input and the validity of the view that had emerged. Secondly, after the second-order analysis, which led to the reveal of the ART framework, I went back to research participants and checked the validity of this outcome.

Maxwell (1992) states that a good qualitative study can help us understand a situation that would otherwise be enigmatic or confusing. In order to make sure that the data was valid, I presented the ART framework to the insurance industry at the Gen Re Annual Conference in 2019, where it was well-received and recognised for its strategic sensemaking.

In the Discussion chapter of this dissertation, I also compare the challenges in the inclusive innovation domain with that studied in this research in the disruptive innovation domain and found striking similarities, suggesting a level of 'Transferability' in the resultant ART framework too.

4.7 Research ethics

The research was conducted in accordance with the University of Cape Town Commerce Faculty Ethics in Research Policy. All participants were given the opportunity to remain anonymous, to have any part of the interview considered 'off the record', or to exit the interview at any point. No perceived risk to the participants in the study was recorded as part of the ethics application. I ensured the confidentiality of participating individuals and firms through rigorous protocols regarding the secure handling and disposal of research data. The research protocol was approved by the Commerce Faculty Ethics in Research Committee for the University of Cape Town on 11 October 2018. I provided all interview participants with a background to the research and a letter of consent that was signed after the interview or after signing off the transcript of the interview.

4.8 Finding a framework

In summary, I have sought to answer the question of how does a mature insurance industry incumbent in South Africa successfully navigate disruption and which strategies are effective to become disruptive too?

I have drawn on interpretive/constructivist, processual, and pragmatist research approaches, using the classic (original) grounded theory method of Glaser & Strauss (1967) as my foundation. In my first-order analysis, I identified five differentiator codes shaping disruptive response strategies as (1) innovation orientation, (2) value proposition orientation, (3) integration versus separation orientation, (4) ecosystem orientation, and (5) innovation approaches or models. The second-order analysis led to the final identification and naming of three broad response strategies - Adapt, Regenerate, and Transcend and the sub-strategies within these higher-level categories. In returning to the literature to answer questions raised by the research, I constructed a response strategy framework from the extant literature that resonated with and enriched the findings of the research study, which I present in the following chapter.

Chapter 5: Findings

5.1 Introduction

In this chapter, I present the research findings that reveal how incumbents in the insurance industry in South Africa are navigating disruptive turbulence and planning to become disruptive too. I start by setting out an industry context within which disruptive innovation could take place, and how this context shapes the respective response strategies, both the overarching and sub-strategies. I conclude with an abstracted theoretical strategic response framework as described and applied by the insurance industry (life and health) in South Africa.

5.2 Disruptive innovation industry context

“Let me start by making the obvious point, that insurance and reinsurance are both a very conservative industry - conservative because they’re set in their ways, conservative also, because by their nature they tend to be driven by the intellectual energy of actuaries and when you get into the detail of insurance and reinsurance, they are one of two ways. One is to use the past as a predictor of the future, that’s the only information that actuaries have to design product and then to sell those products. The other is to try and use past performance to price risk in a very discrete way, but you need the same kind of skill set to be able to price the risk. And for that reason, there is an innate conservatism and because of the way in which actuaries work, their brains work, their training has been - they hope that everything will respond to the model that they’ve constructed - that relates to the pricing issues, it also relates to the trouble that Momentum found themselves in just recently, because the fact that somebody could be a victim of a homicide in a car-jacking attempt, doesn’t feature in the normal disease profiles that they analyse, and I think that it’s quite important to use that as the undergird”. Interview transcript, participant #4 (Chairman and ex Minister of Finance)

The life and health insurance industry in South Africa is a conservative industry by nature, and while recognising the pressure to innovate for future success in a disruptive digital world, the industry in general is still deeply entrenched in an incremental approach to innovation. Many factors contribute to this focus. One reassuring fact for the industry is that it has absorbed new entrants to grow as a whole, without negatively affecting the books of dominant players.

“You could argue that Old Mutual¹⁰ should have grown much faster if Discovery¹¹ didn’t exist and if BrightRock¹² didn’t exist, but no one seems too unhappy and all those executives get paid big fat cheques. So, there is capacity. The industry has the capacity to absorb the new players”. Interview transcript, participant #20 (Founder, CEO)

The industry too has dismissed the potential threat of fintech and insurtech start-ups, assuming that industry players, in a complex industry, hold the key to their success, i.e., investment or funding, access to client data and distribution, use of their license and help with business model definition and refinement. Without industry interest, support, and collaboration, fintech and insurtech players stand little chance of industry infiltration, less so, disruption.

There are examples, however, where insurers and internally initiated start-ups are maturing as innovative partnerships - where learning from each other creates collaborative traction in innovative value creation. Leadership support and separation of the start-up from the operational business, remove the start-up from the tension of a middle management mindset that is programmed to push

¹⁰ Old Mutual was established in 1845 as South Africa’s first mutual life assurance society. Today it is part of Old Mutual Limited (OML), a premium African financial services group that offers a broad spectrum of financial solutions to retail and corporate customers across key markets in 14 countries.

¹¹ Discovery is a shared value insurance company whose purpose and ambition are achieved through a pioneering business model that incentivises people to be healthier and enhances and protects their lives.

¹² BrightRock is the fastest growing insurer in the intermediated individual life risk market offering bespoke needs-matched life insurance. BrightRock has recently entered the group risk insurance market to extend its needs-matched approach to employee risk benefits.

for profit over innovation breakthrough. However, these examples of effective incumbent and start-up innovation collaboration are more the exception than the rule.

South Africa should be ripe for disruptive innovation amongst emerging digital-first consumers, or the vast uninsured market. Still the research has shown that the industry has little appetite for the unfamiliar, leaving this opportunity space to start-ups and entrepreneurs to pioneer.

The research shows the resistance to be threefold. The first, as mentioned above, is a management mindset that seeks profit before innovation breakthrough, especially when the industry is not yet feeling the financial motivation to innovate for new markets. The second is very low levels of financial literacy that create what seems like an insurmountable barrier to entry in the context of current business models. And, thirdly, this end of the market has little disposable income and, therefore, not lucrative enough for incumbents to consider with any urgency. If an entrepreneur made a breakthrough in this space, the dominant incumbents have deep pockets to acquire them.

The industry has, through creating complexity, exploited financial illiteracy amongst its customers but customer activism and the power of social media, are changing this complexity comfort factor. While travelling in Johannesburg to my next interview, my Uber driver was listening to a show on the radio abuzz with callers phoning in to express their anger at Momentum¹³ who had decided not to pay an insurance claim for a 'death by car-jacking' of one of its clients, based on the fact that the client had not disclosed his diabetes. Momentum argued that, had they known at the time of application that the client had diabetes, the contract would never have been issued and, therefore, they were under no obligation to pay the claim, irrespective of the fact that diabetes was not the cause of death (Khumalo, 2018)

¹³ Momentum Metropolitan Insurance Holdings Limited is a South African based financial group listed on the South African stock exchange, the Johannesburg Stock Exchange, and is the third largest life insurer in South Africa.

Ultimately, after a brutal media and consumer stand up, Momentum relented and paid the claim and all other claims that were initially rejected on the same basis (Khulekani, 2018).

The power of social media, in this case, is irrefutable and reveals a consumer-created crack that challenges the industry's culture of contractual arrogance. This very public example speaks to the industry malaise.

“It's scary, and it's not one company, it's the industry, every time that you're inside a company, and you hear how they think how they make decisions. There's a saying in other companies that I've worked in, that if a client wins, it's a coincidence. No-one is out to fleece clients, but the aim is never to get them to win, and I think it's a basic thing. There's never consideration for how the client is going to understand this and what perception does he have and how easily can he misinterpret it. It's always easy to say, well these are the facts, and it is in the contract, but there is never consideration as to how clients would think about it or what their expectations would be and they ask things like TCF (Treating Customers Fairly) and everything, but still it doesn't really change it”. Interview transcript, participant #23 (Head of Product & Pricing)

Participant #4 suggests that the wealthy, where the industry is deeply invested, would be the last to trust their wealth to the algorithm or untested disruptive innovation. For that reason, he argues there is no real immediate threat to the profitable core of the industry.

“I think that it may just be a function of age, but those who, at this point in 2018, have accumulated wealth, tend to have done so over a longer period. Sure there might be some flash in the pan young person who talks about Bitcoin as a source of their wealth or forex trading which is a very strange thing that people say that they can do with algorithm, but I think you're likely to find over the next periods that those who have the greatest store of

wealth, would be reluctant to hand over the wealth to untested disruptive innovation”.

Interview transcript, participant #4 (Chairman and ex-Minister of Finance)

On the most fundamental issue of trust, there is a sense that other trusted global brands could, in the not too distant future, encroach on the industry’s terrain and bring about significant systemic disruption. But as there is no immediate sign of this on the foreseeable horizon, there is no visible engagement by the industry in response to this potential threat.

“Going forward in the next five to ten years, that’s what we really going to see as the big challenge, is the big trusted brands encroaching into this space. And Apple is doing it, Google is doing it, Facebook is doing it. Ones that are the trusted brands that do it really well, will actually win in this space”. Interview transcript, participant #13 (Ecosystem Development & Strategy)

The research, therefore, presents a complex industry secure in comfort and complacency on the one hand, yet at sea in how to respond to growing customer resistance and greater expectation on the other, while restless too in its anticipation of disruptive forces beyond the veil of the known and its industry boundaries. More evidence of this follows later in the findings. But before I examine this, it is useful to see how in this context of this comfort and unease, the industry thinks about and approaches innovation.

The research revealed four broad categories of innovation focus and understanding, which are set out in table 13. The first category of innovation definition is conceptual or intellectual referring to either a space such as virgin territory or white space, or a type of innovation such as ‘technical’, or ‘process’, or ‘new business-model’ innovation. The ‘space’ descriptions referred to radical innovation that shifts the industry playing field, with the ‘type’ descriptions of technical, process, and business model being important aspects of this radical innovation ambition. However, this intellectual or conceptual understanding of innovation is rare, with most participants offering a

more practical and improvement view of innovation. This practical view is focused on solving problems, creating new value, or making a difference in people's lives as shown in the second category and the other is focused on making things better, or continuous improvement, or experimenting for improvement, as shown in category three.

The final category description of innovation is particular to the lead industry innovator (participant #3) where, to describe the embedded nature of innovation integral to their business model, innovation is defined as something as 'spontaneous as loving God', that it is part of who you are and what you believe in. The power in reality of this idea of innovation as inherent will be revealed in the setting out of the different approaches in the spectrum of innovation response later in this chapter.

Other points to note are that start-ups were more likely to want to make a difference and tended to have a more practical short-term, next-steps approach to innovation, while corporates tended toward a more conceptual, buzzwordy, longer-term approach to innovation. Start-ups also noted that incumbents focus too much on technology itself, rather than solving problems for clients.

Table 13
Use and meaning of the term innovation

Space or type	Solve or create new value	Make things better	Embedded
Technical innovation	Problem-solving	Incremental improvement	Spontaneous, like loving God
Process innovation	Creative solutions	Continuous improvement	
New business model innovation	Valuable ideas into action	Building something better	
Entering virgin territory or "white space" through innovation	Invention that creates value	Experimenting with making things better	
	Making a difference in people's lives	Making things better across the value chain	
		Change for the better	

To create innovative cultures and skill sets, some incumbents are training teams in design thinking and problem-solving skills, which in turn is driving a movement, although small at this

stage, towards a search for more human-centric solutions through greater customer intimacy - requiring the act of not only stepping into customers' lives to seek how to solve problems and offer solutions in a fresh and innovative way, but also allowing the customer in to be part of the solution-design process. The interview transcript quotation below demonstrates why this small change is so significant in a mature industry designed to keep people out.

“It's the human element that's the new part. We have used design to keep people out and we put engineers and accountants in charge of companies. So, they have designed and optimised where they don't think about the human. They are process driven. So, if you go to start-up conventions, what do they talk about? They talk about the problem they are solving for people. Once you go to mature companies they talk about their competitors, and they focus on process and market share. They don't speak about the customer in human terms. Their obsession has become those things. They have completely locked the human out that they are supposed to design for”. Interview transcript, participant #10 (Lead Consultant, Executive Director)

So, despite the relative sense of comfort in the face of potential disruption, seen and unseen, the questions and the ambitions grow, and so too, the awareness of the imperative for change.

“All the big providers still have solid books and they're staying there. No one is going to close down, but I think, my perception is everyone is so aware that something needs to happen, and everyone is worried that Google or Amazon is going to come and take us over and take us out. So, I think everyone is aware that something needs to change, but a) what is that and b) it's difficult when you've got a running business, that's not shooting the lights out, but it's churning over. It's difficult to radically change the recipe”. Interview transcript, participant #23 (Head of Product & Pricing)

In the next section, I present how the industry in general and, more specifically, how research participants are responding to and pursuing innovation.

5.3 The spectrum of response

The research revealed a spectrum of strategic response. The first strategic response is to optimise the current business potential and adapt to defend and extend competitiveness. The second is a growth/regenerate response, seeking a responsive and transformative path - exploring, investing in, and integrating disruptive ideas into the core business or creating niche businesses. The third is an invent/transcend response - the implementation of a disruptive value proposition and business model that create an alternative competitive playing field and/or ecosystem. This spectrum of response aligns with that identified in chapter two, in the exploration of Christensen and Raynor's (2003) sustaining and disruptive innovation distinction and the Christensen et al. (2018) recognition of the hybrid sustaining/disruptive response, resulting in the adapt(sustaining), regenerate (hybrid) and transcend (disruptive) points of distinction on this spectrum.

The research also highlighted another dimension to the innovation scene - the emergence of 'pipeline creators' - incubators and accelerators - who, in partnership with industry, are finding, accelerating and integrating innovative start-ups or challenger ventures into the industry. The research has also identified a key connector between the start-up and incumbent space in the insurance industry - the reinsurer - who is also investing in proof of concepts and start-up ventures. These emerging influencers and connectors reveal a larger industry ecosystem coming into play with a new appetite for open innovation. This development aligns with the evolutionary shifts referenced in chapter three which are shaping disruptive response strategies.

I place the incumbent research participants, their strategies and approaches in the context of this strategic response spectrum and describe how pipeline creators and connectors impact upon their

innovation strategies too. Figure 8 shows the outline of this spectrum and the innovation priorities in each response strategy category.

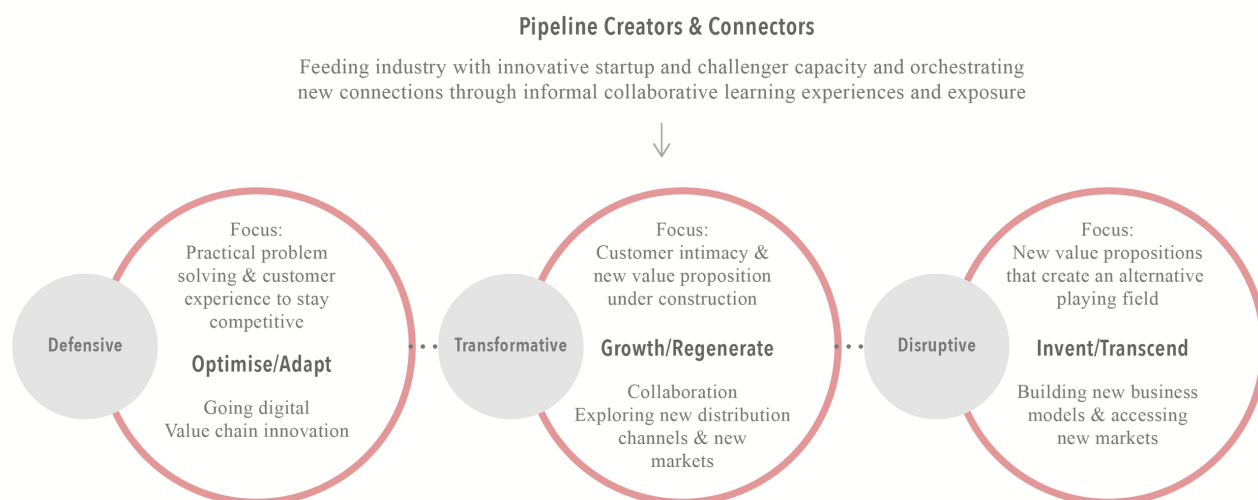


Figure 8: The strategic response spectrum

5.3.1 Optimise/adapt response: copy, leverage, and adjacencies

In the case of an optimise/adapt response, the research identifies incumbents seeking to innovate to remain competitive in the face of potential disruption through three sub-strategies.

The first is a follower ‘copy and paste’ response strategy to external innovations changing the play in the industry. The second is a ‘leverage: search for and acquire or develop internally’ response strategy to create a digital version of an existing value proposition and a more engaging customer experience. The third is an ‘adjacencies’ response strategy, using competitive core competence to enter adjacent lines of business.

The lead industry innovator has inspired a new look at how the industry approaches the development of unique value propositions and how it creates new and meaningful value for the customer. However, the ‘how’ of developing original customer-intimate value propositions seems elusive to most incumbents who have settled for a follower ‘copy and paste approach.’

“Discovery leapfrogged everybody in a sense because they started to understand, by having deep data insights, you can actually create unique value propositions. And I think the

industry is starting to cotton on to that, that you need to start building customer relationships that go wider than just you or product interaction. I think a lot of the insurance companies are saying, can we have our own version of a rewards program that can impact behaviour, and once you impact behaviour, you can create value. I think that a lot of what's going on is a little bit of copy and paste strategy". Interview transcript, participant #5 (Insurer, Head of Value Proposition)

The second response strategy is one of leverage and quick wins, aimed at optimising ready-made or quick-and-easy-to-implement solutions. Many incumbents are shopping for market and user-centric innovations and technologies from insurtech and fintech start-ups and entrepreneurs. Increasing consumer pressure is driving a more intense focus on customer interface, engagement, and experience.

"Look what happened to Momentum this morning. I don't know if your saw - the controversy around the death claim that they declined, so that happens in a flash. Yesterday it wasn't on the radio, and today it's top news". Interview transcript, participant #6 (Insurer, Head of Product Development)

This market-driven search, however, takes place within a limited frame, one that seeks to bring the customer interface into the digital realm but without changing the fundamental nature of the value proposition or the underlying product.

"When you understand insurance, you will see that the products themselves have not changed in centuries. Even something like Lemonade¹⁴, which is like the insurtech venture in the States and then other ones around. It's like these different things, but they are the same. It's just the way they communicate with people that is different. They communicate or sell on WhatsApp, for example, allowing people to claim by taking pictures. That's cool innovation

¹⁴ Lemonade Insurance is an American property and casualty insurance company headquartered in New York City.

but not on the actual insurance design. So, its innovation in the way insurance is sold and communicated. So, for insurers, I think the focus is on adapting to changing customer expectations to have an insurance relationship on your phone, in the digital realm”. Interview transcript, participant #21 (Founder and CEO Start-up)

The third response strategy is expanding into adjacent lines of business. Niche players and larger incumbents are exploiting their core competence and established market base by expanding into adjacencies. For example, funeral insurance incumbents are expanding into life insurance, savings, and retirement lines of business and the lead insurance incumbent innovator, expanding into digital banking.

“Our Group CEO talks of it in this way, when you engage with a client, you don’t be involved in only a quarter of a match, you want to take part in the entire match. We chose the route that will give us longevity. We chose the route we want to offer all products with advice”. Interview transcript, participant #6, Insurer, Head of Product Development

“So, there is a very simple raison d’etre which is to make people healthier. But as it evolves it’s basically about the use of behaviour and behavioural data and incentives. And now we are going into banking - same idea. So, with that strong sort of mission, purpose coming through all the time, it’s not that hard to think what you should do next”. Interview transcript, participant #3 (Chief Actuary, Insurer, lead innovator)

The research identified two different approaches in the optimise/adapt response. The first I describe as a praxis approach, and the second I describe as a portfolio approach.

The praxis approach provides an example of the practical, short-term, problem-solving nature of innovation in the optimise/adapt response. In this approach we also find a helpful intermediary role of a connector between innovative ideas and impulses in the organisation and the leadership team. In the praxis approach, innovation is aimed at leverage and quick wins, largely through

internal exploration and development. Innovation is driven by middle management who sell the innovation ideas to the senior team and secure their ongoing support and investment through these quick wins. The leadership team has been stable, allowing for incremental advantage over time through the consistent implementation of innovation projects.

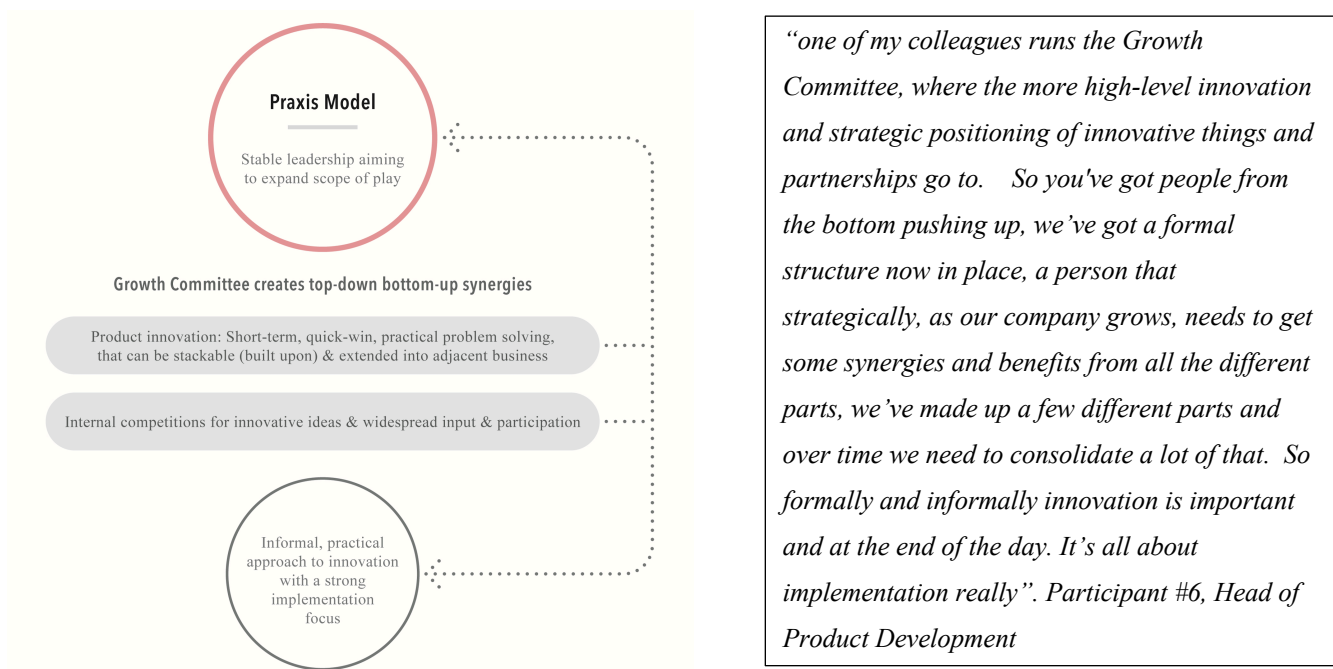


Figure 9: The praxis approach

In the portfolio approach, the incumbent shops externally to acquire young proven disruptive businesses. Through their global incubator partner, Plug and Play, they search and shop for young start-ups. They also invest in internally developed start-ups and sponsor, through their CSI budget, an interesting community-based incubator, where the incumbent and NGO are learning together.

“There’s probably a little bit of a mixed bag. So, they bought about 30% of Easy Equities a couple of years back, which is a genuine tech-based investment platform start-up and then they used the same technology to get behind a Satrix¹⁵ product. So, it was a good use of reusing tech and a relationship to do that kind of stuff, so that’s one approach. And then with

¹⁵ Satrix is a pioneer in the South African index-tracking landscape and manages R100 billion in index-tracking assets across institutional and retail mandates.

us it was basically, have some funding and see what you can do, and it may work, and it may not work. Then they are quite keen on buying businesses that are demonstrably working. So, they own 50% of BrightRock, for example, which was probably five years old when they bought it. Basically, the economics worked". Interview transcript, participant #22 (CEO, Insurer Start-up)

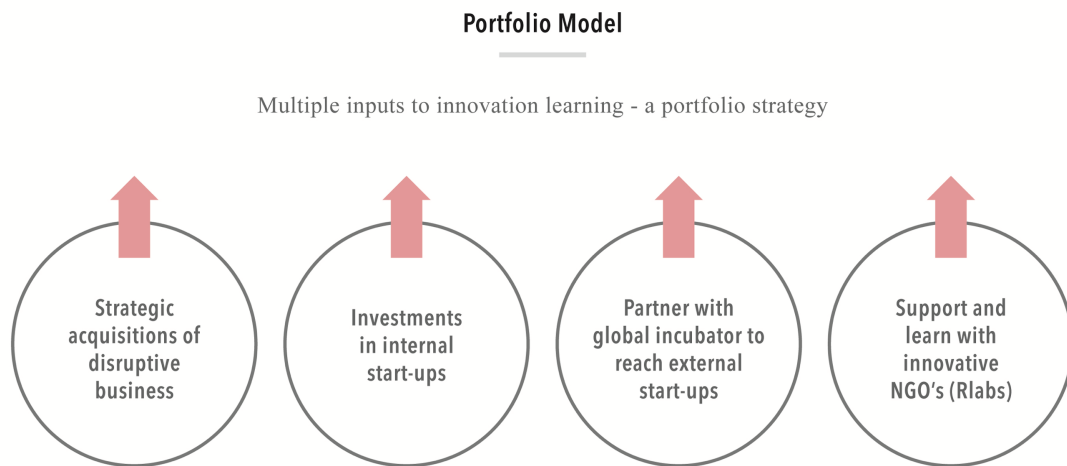


Figure 10: The portfolio approach

The benefit of this approach is multiple points of strategic learning from each innovative operation. The question is, just how much of this learning spills into the group operations and if there is any transformative benefit through these knowledge flows?

Table 14 sets out the key aspects of an optimise/adapt response strategy as defined by the research.

Table 14
The optimise/adapt response in summary

	The optimise/adapt response in summary
Scope	Firm-centric, Industry Ecosystem
Intent	<i>Defensive</i> (staying competitive and in the game)
Means	<i>Through search & internal development:</i> sourcing, acquiring, learning, experimenting, implementing, developing
Value Proposition	Traditional but going digital
Upstream innovation	Value chain efficiencies
Downstream Innovation	Digital gateways: user experience & ease of access
Innovation Search	Innovation search internally or through pipeline creators, consultants/reinsurers and acquisitions
Optimise/adapt strategies	
Copy Strategy	Copy & paste of tried and tested innovations & business models
Leverage Strategy	Quick wins, innovation shopping, internal development and acquisitions
Adjacencies Strategy	Using core competency & customer base to expand into adjacent business
Approaches	Praxis and portfolio
Complexity	Low level complexity: Integration of innovation endorsed by operations
Pivotal roles	Connector & translator: Bottom-up and top-down connection Acquisition portfolio architects: selectors and builders
Leadership requirement	Led by middle management with senior leadership approval Leadership of incremental innovation, continuous improvement

For simplification, figure 11 builds on the optimise/adapt response strategy as set out in the strategic response spectrum, figure 8, and includes a summary of the adapt response strategy as described in this section together with its three sub-strategies of copy, leverage and adjacencies.

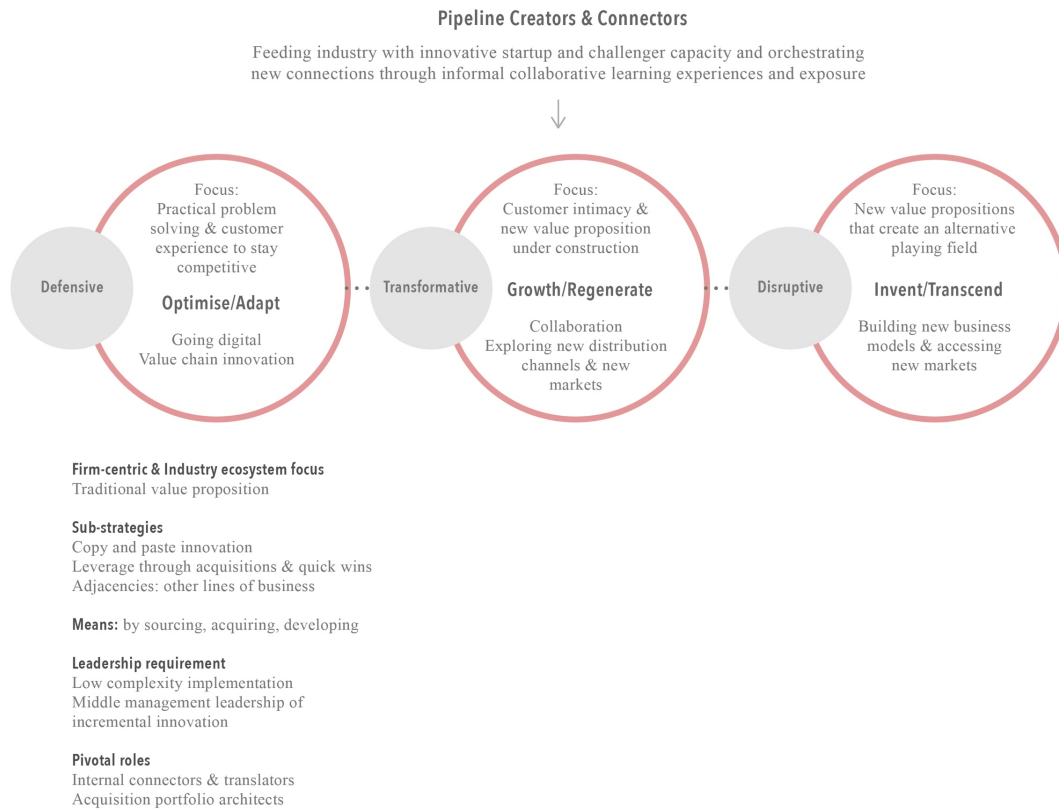


Figure 11: The optimise/adapt strategy detail to the strategic response spectrum

5.3.2 Growth/regenerate response: absorptive, emergent, niche-ing

Unlike the optimise/adapt strategy which focuses on exploiting the known, the growth/regenerate response strategy includes defence but also explores new markets and new value propositions for growth potentials not yet realised by the incumbent. In the growth/regenerate response, which is one of expansion and potential transformation through innovation, the research highlights the creative tension in the interaction of two worlds – that of innovation (exploration) and operations (exploitation). It is this interplay and tension that sets up the absorptive, emergent and niche-ing sub-strategies of the growth/regenerate response.

In the search for new growth, incumbents are extending their search beyond the boundaries of the firm, to insurtech and fintech start-ups and to other entrepreneurial influences - for insight,

learning and collaboration - to create new competitive capability and to develop new offerings that could give access to new untapped markets.

Over the last half-decade, a number of global incubators and accelerators like Startupbootcamp¹⁶ and Plug and Play¹⁷ have entered the South African marketplace and sought corporate partnerships with local incumbents. Companies in many industries have also formed their own incubators, accelerators and innovation search teams and academic institutions and corporate sponsors have formed collaborative initiatives, to create safe learning and networking environments for incumbent, insurtech, fintech and VC (Venture Capital) stakeholders and to co-innovate and develop a pipeline of innovative entrepreneurial and start-up input to industry (insurance and other industry).

The research illuminates the industry impact of these new entrant industry ecosystem actors who have become the pipeline creators and connectors, shaping industry innovation thinking, knowledge and strategy, expanding industry innovation beyond the firm boundaries, and informally fostering the emergence of an informal innovation learning network and ecosystem.

This newcomer impact, therefore, brings new knowledge, skill and experience which, when absorbed by incumbents, creates fresh innovation potential and capacity, reflected in the recent incumbent focus on building design thinking and problem-solving skills and a more conscious absorptive response strategy.

It also creates new networks of divergent actors, in formal and informal collaborative partnerships, keen to explore and experiment (test and learn together) to give shape to emergent collective value propositions and competitive novelty, an emergent response strategy, which is evident in the approaches that follow.

¹⁶ Startupbootcamp website link:<https://www.startupbootcamp.org/>

¹⁷ Plug and Play website link:<https://www.plugandplaytechcenter.com/>

Search for, and investment in new niche and disruptive start-ups has also meant a divergent line of business outside of the mainstream business, *niche operations*, a niche-ing response strategy as a future growth strategy, which is evident in the accelerator approach explained later.

Three growth/regenerate approaches were identified by the research. All of these approaches produce entrepreneurial and innovation content to help mature businesses innovate and potentially disrupt. Although I did not interview representatives of the global incubators such as Startupbootcamp or Plug and Play for this research, I have interviewed both in a previous global research study on the future of Insurance (Amos, 2017). Their influence on the South African landscape can be seen in their presence in approaches presented in both the optimise/adapt response (the portfolio approach) and the growth/regenerate response which follows.

The first growth/regenerate approach is the pipeline approach. In 2017, a pipeline partnership approach was adopted by an incumbent in response to the early surge in digital and platform business models around the world. This incumbent set up a unit separate from the operational business to explore disruptive start-up potential and build new capacity that could be integrated into the organisation to ‘leapfrog the competition’. An early pioneer in the realm of corporate innovation hubs, this incumbent has adapted their innovation hub model over the years to meet the evolving idea of the innovative solution required, applying both absorptive capacity and emergent thinking in the change. Its form is now shaped by strategic partnerships with incubators, venture investors, strategic ventures and reinsurers.

“About 3 years now, there was a lot going on in the Fintech environment and at that stage, Fintech was an ‘out there’ type of thing and it was happening in the US and the UK. In that light we started looking at really disruptive digital, where the future is going to be a platform ecosystem type of player. So, what does this mean for us”? Interview transcript, participant #7 (Manager Partner Integration, Insurer)

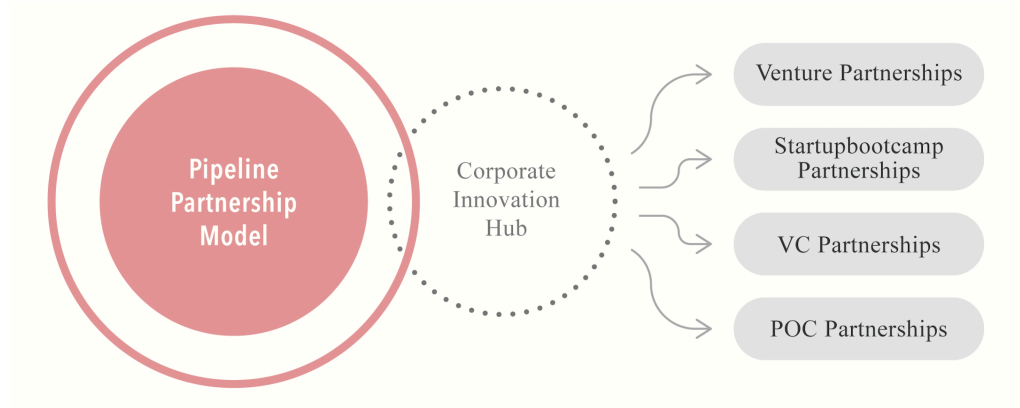


Figure 12: The pipeline partnership approach

The research highlights the challenge with a model of this nature where, without a clear value proposition as a mandate or meaningful corporate leadership attention and direction, the hub faces an insurmountable challenge to secure operational buy in and commitment to flagship innovation initiatives secured and developed through this approach. Operational crisis wins over leapfrog potential every time.

There is also extraordinary effort required to integrate the identified innovation into the business and this effort puts the separation/integration dilemma on full display. A leadership focus on operational survival can isolate the hub and render it ineffective and irrelevant over time. It can also lead to the most promising ventures separating from the incumbent to become an independent challenger in the industry, as has happened in this case.

“The integration part has become more important. You can’t always blend the business of today with the business of tomorrow, without changing something in the business of today, so therefore you have to prove it first”. Interview transcript, participant #7 (Manager Partner Integration, Insurer)

This approach offers much in the way of learning, knowledge flows and legitimate and powerful access to emerging value creation networks. However, this potential can only be realised

by a leadership team looking for it, a value proposition ambition guiding it, and the networking and orchestrating skill to harness the potential beyond the boundaries of the firm and business as usual.

In looking back, one of the founders of the corporate innovation hub (participant #26) noted that if he had the chance to do it again, he would do it less conspicuously and with a smaller, more ruthless budget. The massive investment and high profile of the hub at its inception immediately placed it at odds with the core business whose focus was survival in hard times.

“Innovation is better with fewer resources because it makes you more resourceful, but it also excites fewer antibodies if you don’t seem to be draining the mothership of just too many resources, not even power, just money. People are trying to survive in a very harsh environment, and then there is this bunch of people wearing jeans and experimenting with lots of money. It’s okay if they’re not using lots of money”. Interview transcript, participant #26 (ex-Manager Partner Integration, Insurer and now Start-up CEO)

The second approach is an infusion approach. In contrast to the pipeline approach, another incumbent, after years of innovating separately from the core business and struggling to integrate innovation back into operations, decided to drive an integrated innovation approach from the start – inculcating a culture of innovation and attempting to drive innovation from the inside out. The infusion approach is geared towards producing emergent innovation and would, therefore, be classified as an emergent response strategy.

“If the culture, the environment, and the narrative support, is that you can experiment, it goes a long way to changing the outcomes because then you actually start building up your ‘community of solvers’ as well. So, you’ve got lots of people trying to solve, which is not the Discovery way as it all happens in the boardroom, but in our culture, you need more people who are not afraid to go forth and conquer without consequence. So, some people term it as ‘permission-less innovation’ which I quite like. So, I don't have to go and ask, and

quite often, the CEO's favourite retort to anything is, "Why are you asking me, you know more about it than I do, whatever it is, whatever business you are in". So, we need more of that, which means you don't need permission to try things". Interview transcript, participant #2 (Head of Innovation Capability Build)

In this approach, the incumbent shares insights on innovation projects with its banking counterpart in the group and explores innovation potential through loose external networks. This is exploratory, with little strategic cohesion or specific intent.

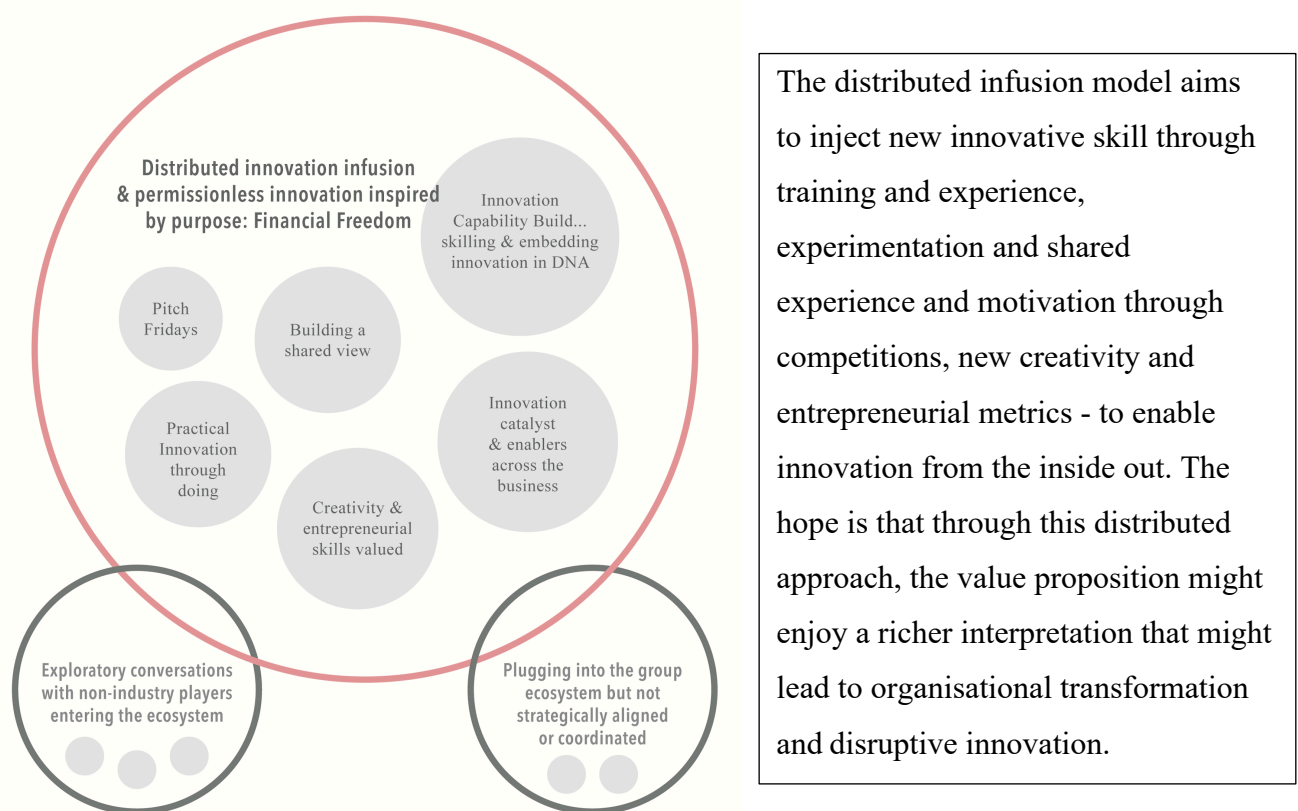


Figure 13: The distributed innovation infusion approach

The third approach is an accelerator approach. The accelerator approach, established by a corporate banking incumbent in a larger financial services group, has the mandate to find and nurture innovative start-ups or new ventures to integrate into the existing business through partnership and collaboration (*absorptive*) or to grow independent businesses (*niche-ing*) into the

next generation challengers, adding to greater diversification in the larger financial services group and sector.

“There’s a three-prong look at how to do that and that is ‘optimise, diversify and modernise’ and what that means is making sure that you touch the businesses with regard to getting those three pillars right. And AlphaCode¹⁸ then fits within the modernise element, where we are saying how do we get into new businesses or how do we get a portfolio of businesses that is going to be the next generation of financial services innovation”? Interview transcript, participant #13 (Head of Ecosystem Development and Strategy)

The strength of this approach is in the fact that the accelerator and investment teams serve on the boards of the companies they support and companies in the group, giving them an understanding of the business imperatives of the group and the broader value in the start-up investments. They, therefore, play a meaningful connector, broker, and championing role in the innovation process across the group.

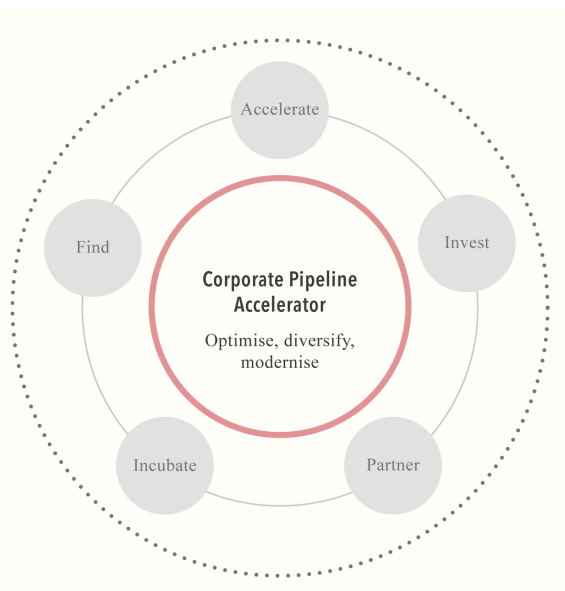


Figure 14: The corporate pipeline accelerator approach

¹⁸ Launched by Rand Merchant Investments in 2015, AlphaCode identifies, partners with and grows next generation financial services entrepreneurs through incubation, acceleration, collaboration and investment.

“We have active positions on boards, so you have people who are sitting with some of the AlphaCode investments, the small start-ups, and they are sitting on the boards of Merchant Capital¹⁹, Entersekt²⁰ and Luno²¹, taking the lessons from those businesses and at the same time you are going across to the ²²First Rand’s, the Discovery’s, the OUTsurance’s²³ and you are saying, hey guys I sit on both of these boards, here’s what I have learnt, this is what they are doing really well”. Interview transcript, participant #27 (Corporate Investor, Investment Executive, Private Equity/Fintech)

The growth/regenerate space is unique in that it, through circumstance, throws together a multiplicity of actors who have been tasked to search for growth and innovation. Incubators and accelerators, as part of their business model, have hosted open environments for this diversity of actors, enabling networking, and collective learning and stimulating collaborative innovation initiatives, both in and beyond the industry.

“What’s probably quite mature is, you’ll find in the innovation space, people speak openly and they don’t seek competitive alliance and it is interesting because, sitting in Startupbootcamp with other insurers and everyone is looking at exactly the same thing and you’re not there to compete, you’re there to actually all learn”. Interview transcript, participant #7 (Manager Partner Integration, Insurer)

¹⁹ Merchant Capital was established in 2012 as an alternative provider of working capital, designed specifically for retail SME’s in South Africa.

²⁰ Entersekt is an innovator in push-based authentication and app security.

²¹ Luno is a digital currencies exchange that makes it safe and easy to buy and store currencies like Bitcoin.

²² First Rand is a portfolio of integrated financial services businesses and offers a universal set of transactional, lending, investment and insurance products and services.

²³ OUTsurance Holdings is a subsidiary of Rand Merchant Holdings, a South Africa based financial services investment holding company.

“There is definitely some of that - access to people or networks of people. It’s circles we haven’t moved in in the past, because of where we are at. But that has grown substantially and changed. What we find as well, is once you start networking with one person, they suddenly open up to five or six other people because of the networks of their collaborations and their spaces that they work in. A lot of it is due to the fact that there are people coming into this space, they are coming from an area that we’ve not ever been involved in. They are much more technology-driven people which formerly we’re just not connected into”.

Interview transcript, participant #8 (Regional Director Life and Health, Reinsurer)

This networking potential and action has in itself contributed to the formation of a learning network or ecosystem-by-affiliation in the very broadest sense, where the incubator, accelerator and potential investors (also the reinsurer) are the lead actors directing, loosely and informally, the search for new collective value propositions and value networks.

In this ecosystem context - entrepreneurs, venture capitalists, incumbent representatives, innovation scouts, brokers or champions - network and convene over time, developing unique insight and understanding, innovation skill and social capital - value that may not be immediately obvious or have immediate application, but that down the line, might become pivotal in some way or another.

The reinsurer is identified by research participants as a connector, broker and potential investor in this emerging networked innovation environment. Invested in the present but also readying for the future and a different set of clients, the reinsurer has placed itself at the intersection of the known and the unfolding - playing a role in enabling and owning a piece of the new wave of innovative enterprises too. The reinsurer’s global footprint gives them a unique perspective and their support role to the industry accords them an advantageous observer and facilitator role in this time of change and ecosystem emergence. It must be noted that this role of the connector to a future

unfolding, also presents tensions in the reinsurer's business, the very same exploration-exploitation dilemma.

“We (reinsurers) have been collaborators with businesses for a long time. That's our model. Our model is about collaborating. So, we've always worked with product development on a collaboration basis. People realise that we have relationships that go beyond either a local relationship or a particular product or regulatory relationship or whatever it is, and so they look to us and say how can we help them to collaborate outside of their sphere of influence”?

Interview transcript, participant #8 (Regional Director Life and Health, Reinsurer)

“So, reinsurers give you that opportunity to step away from the everyday malaise of working life in the organisation and take the opportunity to listen to some top thinkers in this sphere of innovation and allow you to start asking questions, and that's very beneficial. In fact, a large portion of our POC's (proof of concepts) are with entities that have been introduced to us by a reinsurer”. Interview transcript, participant #5 (Head of Member Value Proposition)

Research participants are of the view that this loosely aligned learning innovation ecosystem is maturing, deepening the understanding across all actors about what is required to make the innovation bridge work between the start-up/entrepreneurial and incumbent worlds.

“So, there was an adversarial start, and as the relationship has matured, I'm seeing this maturation happening across the entire ecosystem. I see levels of maturation amongst start-ups, incubators, incumbents and other players in the ecosystem. In South Africa we're starting to see a coming together that's going to be hugely beneficial to all players”.

Interview transcript, participant #14 (Venture Scout, Product Owner, Fintech)

This emerging capacity to think, create and act in a broader innovation ecosystem context is taking shape, be it in a small networked community of actors representing entrepreneurial, investment and corporate innovation interests across and beyond the industry. This learning

ecosystem is also forming at a global level of central banks and regulators – where ambitions, challenges and learning are shared and supported through collaboration at an unprecedented level. Much of this has to do with higher levels of interconnectedness through technology. However, some of it has to do with the pressure to respond to new local and global challenges and opportunities that are multilateral.

“My sense of it is that in the past Central Banks would depend very much on the International Relations Department signing a bilateral over long periods and dialogues with regulators all over the world. Today we can do it in seconds. The network is there. It’s just invisible”. Interview transcript, participant #15 (Regulator, Head of Fintech)

The research presents the view that collaborative strategic effort to develop a shared foundation or platform that an inclusive innovation ecosystem can build upon, could be advantageous to industry and country competitiveness at many levels. This effort would need to extend beyond industry to include government as co-creator.

“How does a country compete? Well, a country should compete with an ecosystem. We should have digital money, WeChat, like in China. We should have fibre everywhere because it allows more towers to pop up. We should have plenty digital TV so that the analogue spectrum can be released for all the demands for data spectrum, and I think we rely on governments or very rich people, to put down a network, a service that other people can build on top. I think that is important”. Interview transcript, participant #20 (Founder and CEO, Start-up)

The concept of an innovation ecosystem, although neither clearly defined nor similarly understood by the industry, is of growing interest. It is a subject of conversation but not one of effective strategic action. This would suggest that innovation ecosystems could become a potential

innovation frontier as incumbents and other actors explore its potential and engage it more seriously as a strategic consideration.

“You have to find your ecosystem, what are the problems that people are going to come to you for and then you have to ask yourself a very serious question around who will have the dominant design? When Facebook became the dominant design for social networking, there’s no space for second place. So, Liberty²⁴ is finally, through Dave Munro’s influence, thinking about an ecosystem context rather than a product house context. So, they’re thinking of ecosystems, like health ecosystems, retirement ecosystems, that sort of thing. So, in the health ecosystem, Discovery dominates completely. So, you can either be the leader in the ecosystem or you can be a player”. Interview transcript, participant #1 (Divisional Executive, Shared Value Solutions, Insurer)

“We are engaging with players outside of the traditional sector, and we’re looking at MNOs (Mobile Network Operators) as a classic example, who are encroaching on this space but don’t necessarily have the expertise to do it. But what we’re seeing is absolutely collaboration of different players, and MNOs is one example”. Interview transcript, participant #27 (Corporate Investor, Investment Executive, Private Equity/Fintech)

Participants were unanimous - silos inhibit knowledge flows and collaborative learning, and performance and profit metrics prohibit thinking out of the box and risk-taking necessary for innovation. Leaders too, are the first and the last bastion of resistance. Operational routines dominate middle management mindsets, meaning they resist risky innovation or innovate for quick wins to convince leadership that innovation is the right thing to do.

“It’s difficult to get people to think out the box. They’re quite blinkered because it’s not their job to think outside the box. So, we use our facilitators to actually do that. Corporate

²⁴ Liberty life is one of the top five life insurers in South Africa.

innovation is really tough because you're up against everything every day because it's changing the way people work and the biggest hurdle is getting the top brass guys over the line, and that's not just the exco's, it's the layer below that". Interview transcript, participant #2 (Head of Innovation Capability Build, Insurer)

"I think sometimes the executives, they mean well, but sometimes they are removed from what happens at the coal face, and so I have to engage there, make them part of the process. That's how I try and change the narrative and, very importantly, get quick wins. So, when people start seeing quick wins they start to buy into the underlying thinking". Interview transcript, participant #6 (Head of Product Development, Insurer)

This highlights an innovation leadership gap in leading through the innovation/operations tension and leading the overarching transformation agenda implicit in the growth/regenerate response. In dealing with this tension, the choices by incumbents are either (1) to innovate separately from operations and only integrate when the innovation is robust enough to survive integration and transform or add new value to operations, or (2) to skill up and create a culture of innovation to innovate from the inside out. The research, however, shows little evidence of successful innovation emerging from inside a mainstream environment, casting doubt on the success of the second option.

"It is very seldom that you will see an innovation take off in the mainstream business where it's incubated, and it actually becomes a successful venture. You almost have to have a separate entity or a form, or a place where you create these ideas, test, experiment, get them out and see if you can scale them before they can even go into a larger organisation where it starts making sense to incorporate them into the day-to-day operational processes". Interview transcript, participant #10 (Lead Consultant, Executive Director)

“It comes back to that thing that it’s difficult to change the recipe if you’ve got a big successful business. I think that’s why Sanlam²⁵ has spun us out of the business, so that they can keep on doing what they are doing well, and that we can try different things”. Interview transcript, participant, #23 (Head of Product and pricing, Insurer start-up)

“They are good at managing. They’re not good at creating new. So, you’ve got organisations that are old and stagnant, these guys have never built anything themselves, never. They are just managing something that’s been up and running for a very long time. They’re almost like caretakers versus somebody that is creating the new”. Interview transcript, participant #10 (Lead Consultant, Executive Director)

The research suggests the jury is still out regarding an effective approach in the South African insurance industry to leading the growth/regenerate response strategy successfully.

“So, in the start-up world, there’s a lot of literature about how you build a start-up. Whereas trying to build them like in an innovation hub or innovation disruptor within a corporate, is something that is a lot less written about how to successfully do it”. Interview transcript, participant #14 (Venture Scout, Product Owner, Fintech)

A common feature of each of the approaches in the growth/regenerate response strategy is that of experimentation and exploration, often isolated and disconnected from the top leadership team of the traditional business and often without a visionary mandate or directing new value proposition to focus this regenerative effort. Traditional leadership paradigms have not equipped industry leaders to strategically shape, navigate, and lead this more complex and transformative innovation route to the future.

²⁵ Sanlam is a diversified financial services group, headquartered in South Africa, operating across a number of selected global markets.

“I think, what is often a problem is that the top leadership hasn’t really taken the trouble to have an informed point of view on the future and do the work to understand this and to have the conviction to do this and to follow through with it. Mostly they are worried about making the next quarter’s earnings and stuff like that. They might do this because the board wants them to pay attention to the longer-term future and they have a bunch of people like me doing some work but if they don’t feel it in their belly, then it’s not really that authentic connecting, which means that when the chips are down, they don’t stick with it. So often there’s not this own conviction, whereas I think where that exists in a company like Discovery, where you’ve got the founder Adrian’s vision, his conviction - you can do so much more if you have that. It’s quite rare I think”. Interview transcript, participant #26 (ex-Manager Partner Integration, Insurer and now start-up CEO)

In the invent/transcend response strategy that follows, we see the galvanising power of this cohesive and visionary leadership mentioned above.

Table 15 sets out the key aspects of a growth/regenerate response strategy, as defined by the research.

Table 15*The growth/regenerate response in summary*

	The growth/regenerate response in summary
Scope	Ecosystem by affiliation – beyond the industry
Intent	Regenerative (changing/renewing the game)
Means	Through search & internal development: sourcing, acquiring, learning, experimenting, implementing, developing By actively managing the separating & integrating
Proposition	Traditional, shifting to greater customer intimacy and participation
Upstream	Expanded offering, novelty, & upscaled capability
Downstream	New user experience, new access, new markets
Search	Exploring & experimenting through pipelines, networks & loose partnerships/alliances
Growth/regenerate strategies	
Absorptive Strategy & networks of learning	Absorptive: Innovative pipeline or network effect feeding into organisations from outside the firm (knowledge, skill and capacity)
Emergent Strategy	Emergent: Innovation experimentation & organisational transformation & ecosystem or network-centric experimentation
Niche-ing Strategy	Niche-ing: When future growth lies outside the mainstream business
Approaches	Pipeline, infusion, accelerator
Complexity	High complexity: Managing operations/ innovation tension & integration Optimising the network effect and collaborative innovation potential
Pivotal roles	Network creators and developers in a larger external learning ecosystem or network Brokers, connectors, champions Pipeline creators and connectors
Leadership requirement	Strategic leadership of innovative exploration beyond the firm for future growth, as well as operational innovation for short-term competitiveness

For simplification, figure 15 builds on the growth/regenerate response strategy as set out in the strategic response spectrum of figure 8 and includes a summary of the growth/regenerate response strategy as described in this section together with its three sub-strategies of absorptive, emergent and niche-ing.

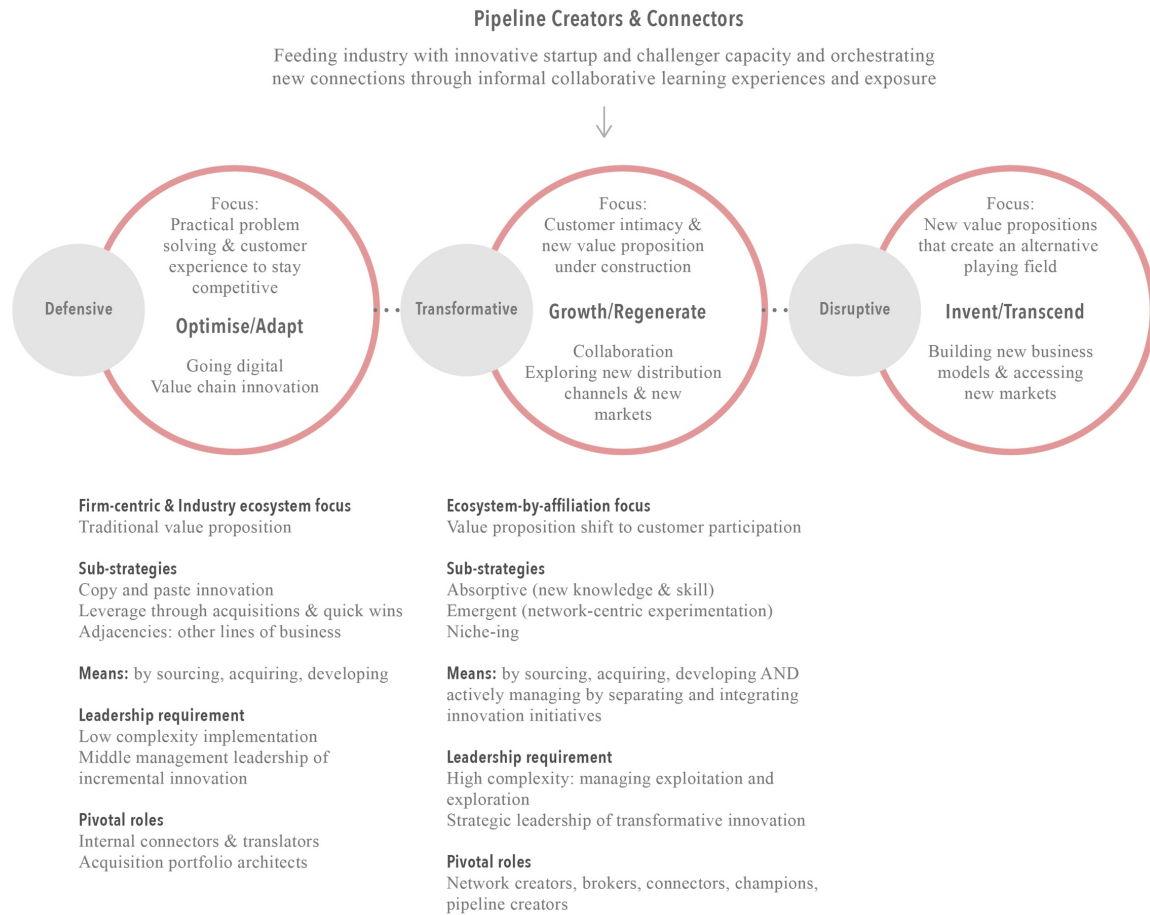


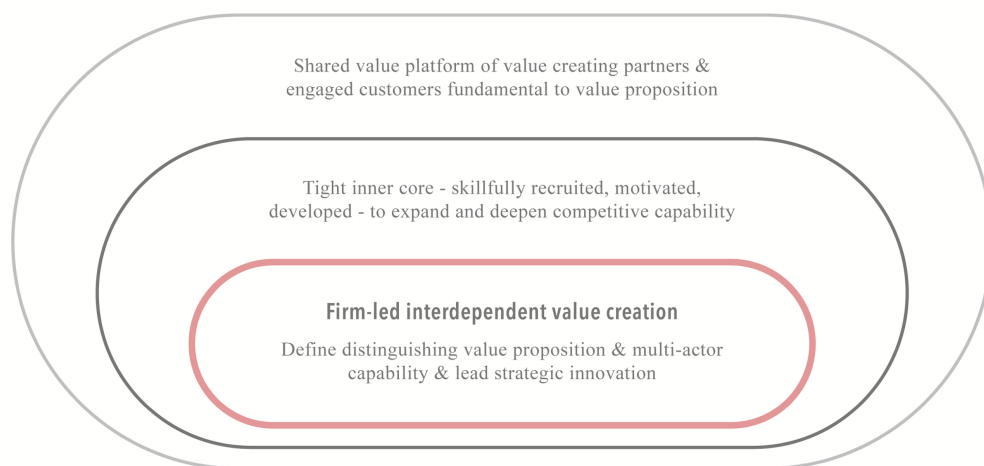
Figure 15: The growth/regenerate strategy detail in the build-up of the strategic response spectrum

5.3.3 The invent/transcend response: dynamic value proposition and multi-actor co-creation

The lead industry innovator, participant #3, is the very first in South Africa to build a dynamic value proposition requiring a collaborative partnership with the customer and multiple actors beyond the traditional industry to create health and life-enriching solutions for customers. In doing so, they have redefined the competitive playing field, locally initially, and now globally. This incumbent has reframed the value proposition and expanded its scope beyond product and service to include greater participation by the customer as a resource integrator and co-creator of value-in-use.

In doing so, the incumbent has built a more intimate and dynamic relationship with its customers and, at the same time, it is also able to collect behavioural data from this customer participation that continues to give it a leading edge.

Behind this service ecosystem value proposition approach is a visionary leader and a tight leadership team surrounded and supported by an actuarial and data science team, skilfully recruited and motivated to expand and deepen the organisation's core competitive capability, which is to deliver to its world-first value proposition to 'help people be or become healthier/healthy'.



"Innovation flows from keeping people excited about what we give them and do for them"

Figure 16: Firm-led interdependent value-creation approach

This incumbent galvanises its entire organisation and key network partners around its value proposition-centric innovation to continue to extend its leadership in the marketplace. Each year they set out to "keep people excited about what we give them and can do for them," to "chase claps". Their ambition extends beyond customer delight to market delight as a whole - locally and globally. Over the past two decades, this incumbent has expanded its unique capability into adjacent lines of businesses, more recently, into digital banking. This is important to note as it indicates that once an incumbent has established a competitive capability in a new frame, that frame can now be applied to reframe other lines of business too.

This incumbent's approach integrates innovation as a key aspect of organisational performance, dissolving the tension between operations and innovation that remains problematic for many in the industry. Innovation is inherent in its value proposition and the leadership of the business. Their value-creation network, which includes dynamic customer participation, has grown and matured over time with ongoing strategic attention and direction by the leadership team every week.

“It's a huge amount of work to make sure that the partners don't step on each other's toes, to make sure that everybody is happy with what they get out of the relationship, to make sure that the partners don't compete with the IP that they pick up here against us by offering the same to our competitors, without contravening any competition legislation, and trying to keep things within this environment. It's hugely complex and requires a huge expensive infrastructure for a bunch of people to negotiate these deals and time and effort to do it. Literally every Thursday I'm in an Exco meeting, where we talk basically about our partner relationships, how do we improve it, four or five hours every Thursday. We have longstanding partnerships with many organisations and we're building many more, all the time. So, the partnership with Apple, for instance, has developed into a global thing now. Next week they're actually coming to London with us to present the results of our research on what Apple Watch has just done to make people healthier because there is no data anywhere else in the world that can prove that. So those relationships become entrenched”.

Interview transcript, participant #3 (Chief Actuary, Insurer)

This incumbent is a good example of Adner's ecosystem-as-structure (2016), where the incumbent as keystone actor, orchestrates and directs component actors to collectively deliver to a central value proposition - to enable customers to enhance their health and well-being. Their value proposition is also a good example of the understanding of the customer as resource integrator where

the value proposition provides multiple opportunity points for the customer to create value through use, aligned to Vargo & Lusch's (2004) value-in-use and customer participation in value co-creation.

While the rest of the industry view this lead player as one who introduced a behavioural element through a rewards-based model, the industry fails to understand a subtler foundation to the innovation success - that of a fundamental and profound shift in the consideration, design and ecosystem delivery to a unique service-dominant value proposition. I contend that the reframing or reinvention of the value proposition and the orchestration of a dynamic service ecosystem to co-deliver to this value proposition, is what places an invent/transcend strategy in a league of its own.

Table 16 sets out the key aspects of an invent/transcend response strategy as defined by the research.

Table 16

The invent/transcend response in summary

	The invent/transcend response in summary
Scope	Ecosystem by structure – beyond the industry
Intent	<i>Disruptive</i> (changing the playing field or creating new ecosystem)
Means	By <i>Design</i> : orchestrating & co-creating around value proposition
Proposition	Ambitious with service-dominant logic leading ecosystem design
Upstream	Radical new collective capability & value proposition
Downstream	New delivery platform & access to a redefined marketplace
Search	Creating new competitive innovation ecosystem through partnerships
Invent/transcend strategies	
Dynamic value proposition	Reframe value proposition to change the playing field and deliver collaboratively
Approach	Firm-led interdependent value co-creation
Complexity	High complexity of orchestration and delivery
Pivotal roles	Lead/keystone firm
Leadership requirement	Leadership of complex adaptive systems and ecosystems

For simplification, figure 17 adds the detail of the invent/transcend response strategy to the strategic response spectrum of figure 8.

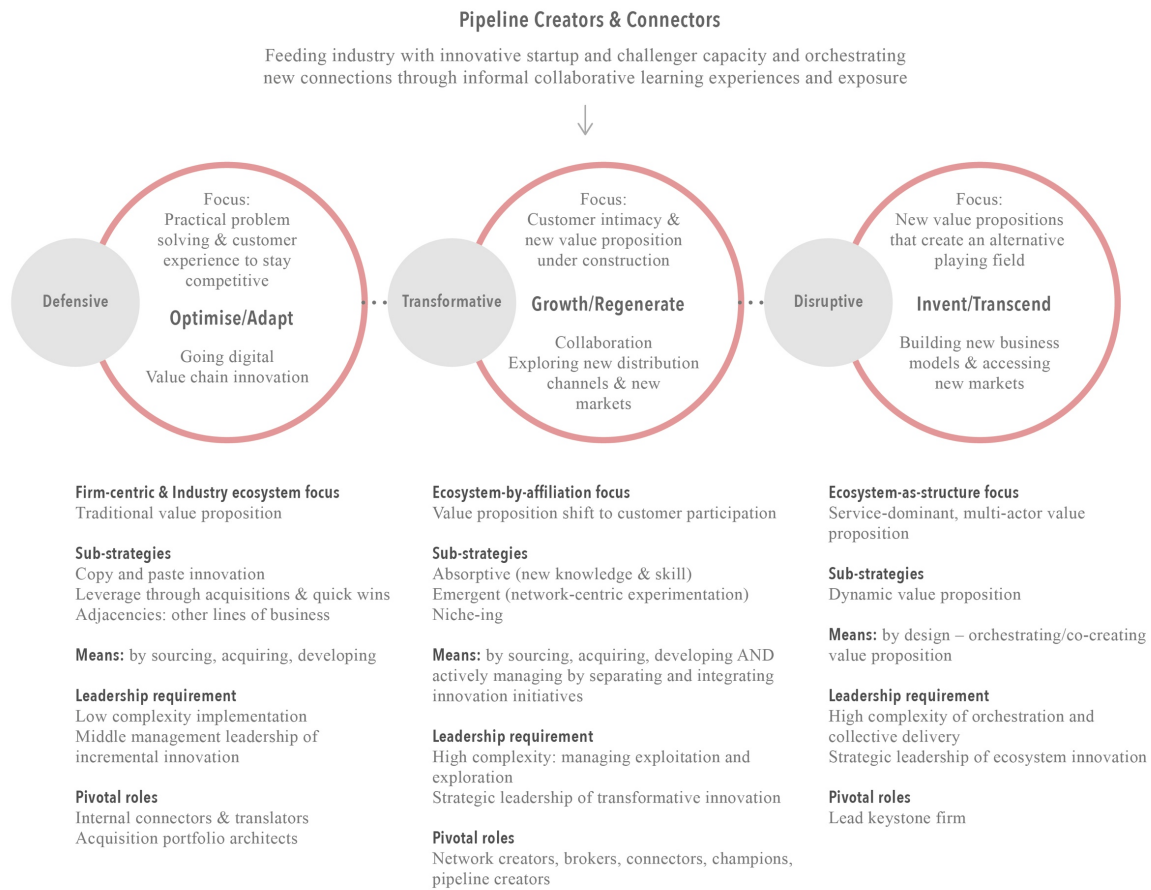


Figure 17: The complete strategic response spectrum in more detail

5.4. The ART response strategy framework defined by the research findings

The complete response framework, as defined by the research, is presented in table 17. It broadly mirrors the framework emergent from the literature review, with deviations in the naming of things more than in their inherent meaning, content, or context. This broad alignment of the theoretical and the research findings frameworks reflects the Christensen and Raynor distinction and theoretical detail of this distinction set out in chapter two and also the theoretical usefulness of the evolutionary shifts and their impact on disruptive response strategies as set out in chapter three.

Working with this broad alignment, in the next chapter, I integrate the framework emergent from the literature review with that emergent from the research findings and explore in greater depth its value and application. I will also assess how this framework not only helps in the consideration of a disruptive agenda but also how it is of use in the context of inclusive and sustainable innovation too. I also explore how the framework informs a more generative and regenerative agenda that allows the incumbent to transform its business and value proposition not only for commercial success but also to address the polycrisis of our time and make a healing and revitalising contribution to the world.

Table 17 *The research ART framework*

The research ART framework			
Response Strategy	The optimise/adapt response in summary	The growth/regenerate response in summary	The invent/transcend response in summary
Scope	Firm-centric, Industry ecosystem	Ecosystem-b- affiliation – beyond the industry	Ecosystem-as-structure – beyond the industry
Intent	<i>Defensive/opportunistic</i> (staying in the game)	<i>Transformative</i> (changing the game)	<i>Disruptive</i> (changing the playing field)
Means	<i>Through search & internal development:</i> sourcing, acquiring, learning, experimenting, implementing, developing	<i>Through search & internal development:</i> sourcing, acquiring, learning, experimenting, developing <i>Actively manage:</i> separating & integrating	By <i>Design:</i> orchestrating & co-creating around value proposition
Value Proposition	Traditional, but going digital	Traditional, going digital & greater customer intimacy	Experience focus & customer as resource integrator
Upstream innovation	Value chain efficiencies	Expanded offering, novelty, & upscaled capability	New collective capability & value proposition
Downstream Innovation	Digital gateways: user experience & ease of access	New user experience, new access, new markets	New delivery platform to a redefined marketplace
Innovation Search	Innovation search through internal resources, pipeline creators, reinsurers and acquisitions	Exploring & experimenting through pipelines, networks & loose partnerships/alliances	Creating new competitive innovation ecosystem through partnerships
<i>Sub strategies</i>	<i>Copy:</i> Copy & paste of tried and tested innovations & business models	<i>Absorptive:</i> Innovative pipeline or network effect feeding into organisations from outside the firm	<i>Dynamic value proposition</i> to change the playing field
<i>Sub strategies</i>	<i>Leverage:</i> Quick wins, innovation shopping, internal development, acquisitions	<i>Emergent:</i> Innovation experimentation & organisational transformation	
<i>Sub strategies</i>	<i>Adjacencies:</i> Using core competency & customer base to expand into adjacent business	<i>Niche-ing:</i> When future growth lies outside the mainstream business	
Approaches	Praxis and portfolio	Pipeline, distributed, accelerator	Firm-led interdependent value co-creation
Complexity	Low-level complexity: Integration of innovation endorsed by operations	High complexity: Managing operations/ innovation tension and optimising the network effect and collaborative innovation potential	High complexity of orchestration and delivery
Pivotal roles	Connector & translator: Bottom-up & top-down Acquisition portfolio architects: selectors & builders	Network creators & developers, Integration connectors, pipeline creators & connectors	Lead/keystone firm
Leadership requirement	Led by middle management with senior leadership approval. Leadership of incremental innovation, continuous improvement	Strategic leadership of innovative exploration beyond the firm for future growth and operational innovation for short-term competitiveness	Leadership of complex adaptive systems and ecosystems

Chapter 6: Discussion

6.1 Introduction

In this chapter, I create an integrated Adapt, Regenerate and Transcend (ART) framework by threading together the emergent response strategy frameworks of the literature review and the research findings. This integrated framework is by no means exhaustive but does present a thought-provoking and helpful reference for strategic consideration by incumbents of mature industry in response to disruptive influence and a disruptive ambition. Table 18 presents this integrated literature and findings view.

At the start of this chapter, I describe each of the adapt, regenerate, and transcend response strategies drawing on this integrated view where both the literature and findings are in alignment, where the literature adds to the findings and where the findings contribute specifically. Christensen and Raynor's contribution to disruptive innovation has defined the skeleton of this framework, the distinctions between the adapt, regenerate and transcend responses as set out in chapter two. Their work has completely defined the adapt response and partly defined the regenerate and transcend responses, with the contribution of other scholars as set out in chapter three, filling in and shaping in more detail the regenerate and transcend response strategies. The research findings of chapter five have confirmed much of the content of these response strategies emerging from the literature and have also contributed practical approaches and examples that enrich the framework descriptions.

Table 18 *An integrated view of the literature and research ART frameworks*

	ADAPT(Sustaining)	REGENERATE(Hybrid)	TRANSCEND (Disruptive)
Strategic intent	<i>Defensive/opportunistic</i> (staying in the game), extend lifecycle & defend market position	<i>Transformative</i> (changing the game), create new growth engines & regenerate core business	<i>Disruptive</i> (changing the playing field), create original enterprise or meta-enterprise
Strategy type	Deliberate	Deliberate, Emergent, Ecosystem	Emergent and Ecosystem
Priority & horizon	Growth & short-term performance	Short-term profitability & new long-term growth	Early profitability and patient for growth
Institutional scope	Firm-centric, dyadic alliances, Industry ecosystem	Firm, dyadic & network centric alliances	Ecosystem-centric alliances & ecosystem-as-structure
Market focus	Current markets and customers	Current market plus low-end markets, non-consumption	Low-end & non-consumption, inclusivity
Market relationship	Transactional (operand resource focused)	Transactional and relational	Relational (operant resource focused)
Value proposition	Traditional value proposition: Product and service oriented. Value embedded in product & service. Goods-Dominant Logic: make-&-sell orientation, operand resources dominant	Expanding into value co-creation: Goods & Services Hybrid Logic. Transaction & relational, products/services & service ecosystem focus where the customer is seen as co-creator. Make-&-sell & sense-&-respond orientation where operand & operant resources are applied in hybrid scenarios.	Dynamic value proposition: Service-Dominant Logic leads a relational, multi-actor service ecosystem that co-creates value in use with the customer as resource integrator. Sense-&-respond orientation where operant resources are dominant – skill the key asset
Innovation focus	Incremental improvement	Sustaining and just-good-enough novelty	Just-good-enough novelty
Innovation leadership	Institutional entrepreneurs challenge templates and drive change. Tend to be at middle management level. Heavyweight teams solve new problems & designing new ways of working. Lightweight teams optimise process.	Leaders create institutional agility and innovation through a dialectical process and by enabling network structures, an adaptive space and a distributed, networked innovation process that optimises the principles of network theory. Leaders with dynamic capabilities act as entrepreneurial managers.	Ecosystem-as-structure: innovation ecosystem led by keystone actor driving delivery to unique, multilateral, multi-actor value proposition, co-creating and capturing new value
Sub response strategies	Leverage: through quick wins & expansion into adjacencies Acquire: own new competitive competence Defence: extend to hold off challengers, eg. copy & paste innovation These strategies work to optimise current value proposition & value chain	Absorptive: Directing absorptive capacity to build new competitive competence and create and direct networks of learning Multi-actor orchestration: Adapting alliances for emergent innovation & organisational transformation Niche-ing: Autonomous ventures for future growth	Dynamic value proposition: designing a service ecosystem with customer as resource integrator/value co-creator Multi-actor innovation orchestration ” to build competing ecosystem Fringe First: Inclusive and empowering innovation Radical competence: Radical collective learning, reframing & aligning to create unique competence
Resource focus	Exploit core competence & acquire rather than develop new capabilities.	New competence acquisition & development & directing & creating absorptive capacity.	Dynamic learning potential: new knowledge and competence development for advantage.
Innovation Search	Internal, pipeline creators and acquisitions	Pipelines, networks & loose partnerships/alliances	New competitive ecosystem through partnerships
Means	By search & development: internal development & acquisition	By actively leading & managing separation, integration and transformation	By design: orchestrating around value proposition
Innovation models	Praxis and portfolio	Pipeline, distributed, accelerator	Firm-led, network-centric value co-creation
Upstream innovation	Value chain efficiencies	Expanded offering, novelty, & new unique capability	New unique collective capability & value proposition
Downstream Innovation	Digital gateways: user experience & ease of access	New user experience, new access, new markets	New engagement platform for a redefined marketplace
Leadership requirement	Leadership of incremental innovation. Led by middle management with senior leadership approval. Heavyweight teams solve new problems & design new ways of working. Lightweight teams optimise process.	Strategic and ambidextrous senior leadership of simultaneous innovative exploration and exploitation. Distributed innovation leadership & creation of “adaptive space” by harnessing social capital & networks. Dynamic capabilities in entrepreneurial management	Leadership of extensive & complex value networks. Keystone player and ecosystem leadership
Mobilising resources	Mobilisation through accumulation and leverage.	Mobilisation through accumulation, leverage and convening. Shifting emphasis to social skills and mobilising competing frames or interpretations like ANT’s translation, ‘interessement’, enrolment and mobilisation	Mobilisation through orchestration
Locus of power	Power in hierarchy and structure and change through top-down diffusion	Power in hierarchy & structure and emergent in networks & social capital. Change through diffusion and translation – increasingly dialectical, relational and distributed.	Power in ecosystems, networks, social capital & strategic alliances. Change through translation, ‘interessement’, enrolment, mobilisation
Agency	Routine boundaries and practice evoke iterational (habitual) and practical evaluative (sensemaking) agency when these are challenged.	A mix of routine boundaries & practice and shifting or new boundaries & new practice evoke iterational (habitual), practical evaluative (sensemaking) & projective (strategic) agency. A safe adaptive space is necessary for projective agency to effectively determine the new.	Cross boundaries and collective complex practice evoke practical evaluative (sensemaking) and projective agency (strategic).
Pivotal roles	Connector & translator: Bottom-up & top-down Acquisition portfolio architects	Network creators & developers, integration connectors, pipeline creators & connectors	Lead/keystone firm
Challenges	Retaining acquisition competence uniqueness	Tension between exploitation and exploration agendas	Access to resources and patience for growth

Given that inclusive innovation is fundamental to disruptive innovation, in this chapter I also compare the ART framework centred around disruptive innovation with a research study that highlights the challenges experienced in the context of inclusive innovation. This comparison highlights interesting parallels between disruptive and inclusive innovation and demonstrates how the ART framework serves an inclusive innovation context too.

This comparison goes further to highlight a meta-innovation perspective emerging from the regenerate and transcend response strategies of the framework, in particular, a concept that is collective and transformative and which I refer to as generative innovation. I describe what generative innovation means, what distinguishes its approach and outcomes, and why it is critical in response to the polycrisis of our time. It is this unexpected collective vantage point illuminated by the ART framework that I finally explore in this chapter.

6.2 An integrated ART framework – how the literature and research converge

6.2.1 The adapt response strategy (sustaining)

The findings and literature, particularly Christensen and Raynor's work on disruptive innovation, are in full agreement in the description of the adapt response strategy. The adapt response strategy is a defensive or opportunistic strategy. Here the firm aims to extend its lifecycle and fend off disruptive challenges through innovations that keep it competitive, profitable and attractive to its current market. The time horizon is short term and the innovation is incremental, firm-centric, and aimed at quick wins and copying or upstaging lead innovators. The research findings confirm that the innovations are easily integrated into operations to either enhance efficiencies or improve customer access and experience. Competitive core competencies are exploited by expansion into adjacent lines of business.

The adapt response strategy is a deliberate strategy (a Christensen and Raynor distinction), one that knows how things work and how to make them work better. The application of the strategy occurs

in a reasonably predictable or knowable context where the process can be managed to achieve acceptable results.

The research findings specifically show that search and integration or development and implementation are the means to these innovation results. This search takes place internally for ideas where they are also developed to produce the required novelty. The search also takes place externally for existing innovations, technologies and disruptive start-ups that can, at low risk, be integrated into operations. The firm searches upstream for technologies that create efficiencies and better user experiences and downstream for digital gateways to simpler, wider customer access. For external assistance in the search process and access to start-ups and innovation technologies, the firm will turn to pipeline creators or networks like incubators, accelerators or digital garages, or connector consultants and reinsurers.

Within the adapt response strategy there are three distinct sub-strategies that are confirmed by the literature and the findings. These sub-strategies are:

1. a 'defence strategy' where the firm copies and pastes whole or part solutions of competitor innovations or improves existing offerings and competence to extend its competitiveness against challengers, or
2. a 'leverage strategy' where the firm develops innovation internally for quick wins and short-term advantage or the firm optimises core competence by entering adjacent lines of business, or
3. an 'acquire strategy' where the firm shops for and acquires established novelty and distinctive capability that give it a market edge.

These strategies are clearly identified in the research findings by participant #5 as a copy and paste defence strategy, by participant # 6 as leveraging through quick wins and by participant #3 as leveraging core competence through adjacencies and by participant #22 who sets out an incumbent

strategy to acquire a portfolio of emerging competitive businesses. All these sub-strategies are also highlighted by Christensen and Raynor (2003) as set out in chapter two.

The research findings and the literature confirm that the locus of power in an adapt response strategy is in hierarchy, position and structure. They also identify a practical and transactional turn to adaptive innovations. The findings speak to a focus on solving problems and creating efficiencies, rather than the wholesale challenge to value propositions, which are still grounded in the traditional business model and process, just modernised with a digital upgrade or interface. This level of innovation requires a low level of complexity. It is usually devised and led by middle management who must first convince and seek the approval of senior leadership before implementing. To achieve this, middle management sell innovation on the basis of quick wins and short-term gains as highlighted by participants #5 and #6. In other words, resources are mobilised through leverage by middle managers (Christensen & Raynor, 2003) or through a tipping point groundswell of change brought about by small cumulative changes over time (accumulative) (Dorado, 2005).

In an adapt response strategy, boundaries and practice are relatively definable and predictable and agency is more iterational/routine. When boundaries and practices are challenged by competitive threat or opportunity, agency can also be of a practical-evaluative or sensemaking nature (Zietsma & Lawrence, 2010; Dorado, 2005; Emirbayer & Mische, 1998). The findings confirm too, a practical, sense-making, problem-solving approach to innovation in this response strategy.

Adapt response strategy innovation models highlighted by the research, range from an internally focused and resourced praxis model with a practical turn to short-term problem-solving, to a portfolio model with a diverse mix of innovation interest.

The findings highlight the distinctive factor that determines the model as one that inhabits the adapt response strategy. This distinction is the fact that the innovation in question neither challenges nor transforms the firm's value proposition or extends the incumbent into new markets or virgin territory.

This factor keeps the firm looking to optimise and extend the lifespan of the firm in its existing playing field. This distinction is also confirmed by Christensen and Raynor who contend that to be disruptive, a company must offer new value propositions that address the needs of new markets or converts non-consumption into new consumption.

The findings highlight that pivotal roles in the adapt response strategy belong to internal connectors, translators and enablers of internal innovative propositions - ensuring a flow of ideas, supporting a robust assessment of these ideas and enabling the dynamic translation of these ideas into implementation. It also highlights the pivotal role of enterprise and acquisition scouts who bring the competitive diversity of competence and capability into the firm. Other roles recognised, are those that once the acquisition is made, build supportive bridges and boundaries between acquisitions and their acquirers to ensure the competitive competence acquired remains intact and benefits the business at large. Christensen warns of a lack of attention to this role and highlights the danger of acquisition value destruction if the uniqueness of the acquisition is not fully understood or supported.

While both the research findings and Christensen and Raynor (2003) note that middle management drive the impetus of the adapt response strategy, a dynamic and informed senior leadership directive for this response strategy would be advantageous, particularly if it places the adapt response strategy in alignment with the firm's longer-term competitive ambitions - a scenario best represented by the regenerate response strategy.

6.2.2 The regenerate response strategy (hybrid)

The literature and the research findings position the regenerate response strategy as an expansive and transformative strategy (Tushman & O'Reilly, 1996; Teece, 2012; Uhl-bien & Arena, 2018; Christensen et al., 2018). Here the firm plans to change the game, seeking innovation to both extend its lifecycle and pursue new growth opportunities that might transform the core business to become disruptive over time. This strategy is a mix of incremental and transformative innovation in which the

firm attempts to balance the innovation (exploration) and operational (exploitation) opportunities (Tushman & O'Reilly, 1996). The exploration may well also include potential co-creation of an expanded value proposition with other industry and non-industry actors - requiring the firm to innovate beyond its familiar boundaries, markets and field of competence, reflecting the open innovation of Chesbrough (2003) and the ecosystem innovation of Adner (2016). The innovation for new markets may be 'just-good-enough' initially to establish a foothold in this new area of consumption or use (Christensen & Raynor, 2003).

The regenerate response strategy is a multi-pronged or hybrid strategy, as defined by Tushman and O'Reilly (2002), and is simultaneously deliberate and emergent, as defined by Christensen and Raynor (2003), and ecosystem oriented, as defined by Adner (2016). It is deliberate where there is certainty and predictability, emergent and responsive, where innovation is developmental, and ecosystem-oriented where the incumbent seeks other industry and non-industry actors to determine and co-innovate competitive collective value propositions.

The regenerate response strategy requires leadership by an engaged, entrepreneurial and visionary senior leadership team with the capacity to simultaneously direct the new, emergent and collaborative enterprise development while transforming the core traditional business for ongoing relevance and competitiveness (Tushman & O'Reilly, 2002; Teece, 2012; Uhl-bien & Arena, 2018; Christensen et al., 2018). In this extraordinarily complex setting, the stakes are high and the leadership skill to succeed, rare. This is confirmed by Christensen and Raynor (2003).

An articulated leadership view of future potentials with empowered, distributed and engaged leadership across the core and emergent ventures, directs the optimisation of synergies and the constructive processing of the conflicts or tensions that arise across this multiplicity of focus. This creates the collective capacity to resist the natural tilt to a familiar and sustaining orientation. Leadership ambidexterity of both the operational and innovative focus, creates institutional agility,

which is enhanced by the creation and the entrepreneurial leadership of adaptive space. Adaptive space allows innovation to thrive and grow in value. It also allows for the new to be successfully incubated, brokered, championed and mobilised into operations and for collective learning and emerging new competence to infuse the core business - enhancing the firm's relevance and competitiveness over time (Uhl-bien & Arena, 2018).

In the regenerate response strategy, the locus of power shifts beyond hierarchy, position, and structure to also incorporate the emergent relational power of networks and the social capital therein, as the firm reaches beyond its boundaries to explore, co-develop and incorporate or orchestrate the new (Lawrence et al., 2006; Adner, 2016; Adner & Kapoor, 2016). This development is seen in the findings as insurers, incubators, accelerators, start-ups, reinsurers, and non-industry players seek new collective innovative

In the regenerate response strategy, new market ambitions and value propositions transform beyond a simple transactional Goods Dominant Logic to a more dynamic relational Service-Dominant Logic with the customer as resource integrator (Vargo & Lusch, 2004). This transformation and focus are key to guiding the regenerative effort and the engagement of industry and non-industry partners to achieve a new competitive position (Hoffmann, 2007; Adner & Kapoor, 2016; Adner, 2016). The resultant strategic alliance focus or emerging ecosystem-by-affiliation as defined by Adner (2016), will shape the new potential and direct access to the required learning and desired competitive resource and competence for short term flexibility and adaptability (adaptive operational advantage) and for longer-term collective learning and the co-development of unique competitive capacity (shaping innovation advantage) to realise envisaged new growth potentials (Hoffmann, 2007; Hargrave, Ven, and Hargrave, 2019; Adner & Kapoor, 2016; West et al., 2014).

In the regenerate response strategy, the firm explores a shift in its competence to deliver beyond a simple make-and-sell value proposition to a more dynamic sense-and-respond proposition of value co-

creation in partnership with the larger service ecosystem or value creation network (Vargo, Wieland, & Archpru, 2015), moving towards greater customer intimacy and participation in the value co-creation process (Prahalad & Ramaswamy, 2004). The resource focus is, therefore, on developing new competence either by directing competitive learning through expanding and enhancing the strategic absorptive capacity of the firm or through strategic partnerships (Hoffmann, 2007).

The findings and the literature highlight how, in the regenerate response strategy, the firm searches upstream to expand or transform its offering and upscale its core capability to develop unique competitiveness and novelty in this regard, and downstream to secure access to new markets and offer new user experience through new technologies and innovative partnerships. (Adner & Kapoor, 2016) This means that the mobilisation of resources expands beyond the accumulation and leverage of the adapt response strategy to include convening and collaboration across boundaries and multiple actors as a new leadership skill (Dorado, 2005).

Within the regenerate response strategy there are three distinct sub-strategies that encapsulate the priorities set out above. These sub-strategies are:

1. an 'absorptive strategy,' which is about developing capacity within the firm to absorb new knowledge flows and competencies (radical learning) and merge this with existing knowledge to innovate effectively, (Saebi & Foss, 2015; Adner & Kapoor, 2016; Hargrave, Ven, & Hargrave, 2019; West et al., 2014, Hoffmann, 2007), or
2. a 'niche-ing strategy' where the firm invests in and owns distinct ventures that do not necessarily align with the core business, yet have the potential to become new engines of growth and the disruptors of the future (Christensen & Raynor, 2003), or
3. a 'multi-actor orchestration strategy' where the firm co-creates disruptive innovations and value propositions with other actors that place the firm and this 'ecosystem-by-affiliation' or 'service

ecosystem' on a new disruptive path (Adner, 2016; Chesbrough, 2003; Jacobides et al., 2018; Nambisan, 2018; Saebi & Foss, 2015; Skog et al., 2015; Vargo et al., 2015; Hoffman, 2007).

The research findings affirm this too, as participants share engagement strategies to learn with an emerging fintech, insurtech, and venture capital community to find disruptive innovation ideas to “leapfrog” the competition (absorptive strategy). Many research participants recognise the niche-ing strategy as essential for new ventures to survive the limiting influence of mature businesses and see the ‘multi-actor orchestration’ strategy with non-industry actors such as Mobile Network Operators, for example, as a means to novel collaborative experimentation.

The research identified innovation approaches in the regenerative response strategy ranging from a distributed model that aims to infuse a culture of and skill for innovation and action across the entire business, to more specific pipeline or accelerator models that seek innovation potential to either integrate into the core business for modernisation or renewal or to develop separately as a niche new business of the future. None of these approaches are examples of success in the regenerate response strategy category. This may be that leadership teams are still driving regenerative innovation as a sideline effort and not as an integrated and more ambitious regenerative agenda across multiple strategic ventures or co-development ventures.

The research notes that the distinguishing factor of the regenerate response strategy is a capacity to challenge and transform the current value proposition and therefore challenge and transform the future of the business and the markets it serves too.

Both the research and the literature identify the challenges to incumbents adopting a regenerate strategy as leadership of this multi-pronged strategy. This hybrid strategy requires, not only the discerning leadership of the separation and integration of the exploration and exploitation initiatives, but also the purposeful mobilising of the practical-evaluative and projective agency of its people, and the dynamic nurturing of networks and distributed leadership across these networks for effective

collaboration. Change is brought about less by diffusion and more by dialectical and relational means - more by Actor-Network Theory's translation, interessement, enrolment and mobilisation. This network-centric and ambidextrous leadership skill is a huge leap for leadership largely trained and oriented in a hierarchical, power-centric model of a passing era (Lawrence et al., 2006; Emirbayer & Mische, 1998; Nilsson, 2015; Tushman & O'Reilly, 2002; Teece, 2012; Uhl-bien & Arena, 2018). The research identifies pivotal roles in the regenerate response strategy for pipeline creators, connectors, network builders, translators, champions, mobilisers, and integrators.

6.2.3 The transcend response strategy

The transcend response strategy is an original and disruptive strategy. The work of Christensen and Raynor (2003), Adner (2016), Vargo and Lusch (2004), Vargo, Wieland, and Archpru (2015), Overholm (2015), Hoffmann (2007) and Hart and Sharma (2004) contribute to the substance of this response strategy. Here a group of firms or entrepreneurs, under the leadership of the keystone actor or lead firm, partner to reframe and reinvent an industry through a collective, multi-actor inspired value proposition that creates an entirely new playing field. The transcend response strategy, through collective novelty, offers a dynamic value proposition that aims to create greater inclusivity and access by targeting low-end markets and converting non-consumption into meaningful marketplaces with "just-good-enough" novelty as a starting place (Christensen & Raynor, 2003). It is led by a Service-Dominant Logic that is experience rather than product-centric and requires dynamic customer participation in the co-creation of value.

The transcend response strategy is a 'by design' strategy where the lead firm or actor directs the development of and delivery to a collective value proposition, one that requires a constellation of actors as an ecosystem-as-structure (Adner, 2016) or service ecosystem (Vargo, Wieland, & Archpru, 2015) to co-create value for and with the customer.

The transcend response strategy is an emergent and ecosystem strategy (Christensen & Raynor, 2003; Adner, 2016), responsive to the demands and unanticipated changes of the venture as it takes shape and evolves in a wider ecosystem context of threats and opportunities, both upstream and downstream. Upstream the lead firm would be seeking to recruit the unique and diverse capability of multiple actors that enrich and help deliver to the collective value proposition. Downstream the lead firm would be seeking the cooperation of actors that offer new access platforms that allow the firm to engage, reward and acquire new customers in a fresh and compelling way.

Within the transcend response strategy there are four distinct sub-strategies. These sub-strategies are:

1. a 'Fringe first' strategy that explores the opportunity spaces beyond the edge of known markets, amongst the marginalised and the outliers and beyond the edge of established technologies and solutions, imagining valuable solutions in these areas of non-existence and non-consumption - for people and for society at large (Hart & Sharma, 2004),
2. a 'Dynamic value proposition' strategy that re-imagines and reframes value propositions to be more dynamic, experiential and participatory and drives collective capacity to enable this (Vargo, Wieland, & Archpru, 2015),
3. a 'Multi-actor orchestration' strategy where the firm builds strategic alliances to create new competitive value networks and ecosystems where diverse actors co-create and deliver to novel value propositions aimed at new markets and new solutions for society, (Adner, 2016; Chesbrough, 2003; Jacobides et al., 2018; Nambisan, 2018; Saebi & Foss, 2015; Skog et al., 2015; Vargo et al., 2015; Hoffman, 2007; Overholm, 2015).
4. a 'Radical competence' strategy that seeks to build unique, collective competitive competence that will be very difficult for competitors to imitate (Adner & Kapoor, 2016; Hart & Sharma, 2004).

One insurer, participant #3 in the research, has applied three of these response strategies (2,3, and 4) to achieve competitive distinction in the industry.

In the transcend response strategy the locus of power is relational and network centric (not hierarchical). The resource focus is to develop radical competence and dynamic collective learning potential across the ecosystem. Resources are mobilised by the orchestrating influence of the keystone actor. Cross-boundary, complex and collective practice calls for practical-evaluative (sensemaking) and projective (strategic) agency of the keystone and other key actors. (Dorado, 2005; Zietsma and Lawrence, 2010; Adner, 2016; Adner & Kapoor, 2016; Emirbayer & Mische, 1998; Overholm, 2015)

The innovation model identified in the research in the transcend response strategy is a firm-led innovation network or ecosystem, delivering to an expansive value proposition beyond the capabilities of the firm. The research has highlighted the distinctive factor of transcend response strategy to be a novel and participatory value proposition (value co-creation by multiple actors including the customer) that transcends existing industry offerings, markets and use.

A pivotal role in the transcend response strategy, as identified by the research and also confirmed by the literature, is that of the lead firm or keystone actor shaping the new landscape and offering. Forming and directing this ecosystem-as-structure focused on delivery to a shared value proposition, is high in complexity and with its unique risks. Breaking ground and gaining the support of established stakeholders and regulators unfamiliar with the new model or ecosystem is the first hurdle.

The second is the orchestration and management of the partnerships, a long-term challenge that evolves as the ecosystem evolves and matures. This requires a unique leadership skill adept in network and ecosystem dynamics and the leadership of complex adaptive systems. These challenges are recognised in the research by participant #3 and in the literature by Adner (2016) and Overholm (2015).

6.3 Reflecting on the ART framework and its value

As already stated, the ART framework is by no means exhaustive and nowhere along the adapt, regenerate and transcend spectrum is success guaranteed. Neither is a single response strategy on its own wholly adequate. The ART framework is also in part aspirational and theoretical, drawing on the evolutionary shifts evident in the literature and placing them within the response strategies for awareness, consideration and action.

Despite these limitations, the framework has shown itself to be useful by supporting a more critical and discerning approach to the crafting of an innovation response strategy for navigating disruptive influence and orienting towards becoming disruptive too. It is this value that I went in search of at the start of this study - to answer the important question of how.

In my interviews with research participants at the start of my study, the conversation regarding innovation and innovation strategy lacked the useful distinction found in the adapt, regenerate or transcend response perspectives of the framework. I can see this now as I look back and reflect. Conversations were crowded with broad and generic innovation and strategy terminology, differently understood and applied by research participants across the industry ecosystem. It was only on closer examination of these conversations and with the clarifying backdrop of the literature that a richer view of these distinctions and meanings emerged. This means that the value of the framework lies in its clarification, in its distinctions, and its setting out of the broader requirements and implications of each of the identified response strategy ambitions.

The naming of each of the response strategies - adapt, regenerate and transcend - has value and power too. They are each in their own right, big concepts and full of important and defining detail. Reflecting back on the interviews with research participants, it was clear that many incumbents and start-ups are innovating in the adapt landscape and confusing their experimentation here for more

progressive innovative thinking, action and transformation found in the regenerate and transcend response strategies.

My closing question in my interviews with research participants aimed to identify questions they would like answered by this study. Their responses could be captured in three broad categories of interest: firstly, questions relating to innovation practice, secondly, questions relating to innovation models and structures and, lastly, questions relating to a broader understanding of innovation-related issues. Table 19 reflects these questions.

Table 19
Questions from participants regarding research outputs

Practice	Models and Structure	Understanding
Must innovation be a formal process, and if so, what does it look like?	How do you structure for innovation?	What are the disconnects? What are the big things we are getting wrong?
Are there levels of innovation, and if so, what problems are they trying to solve? How are they embedded in an organisation or not?	Are there a range of different models? What are they?	Collaborations – why do some work and others fail? What are the expectations of players in an ecosystem taking shape?
How do you expand beyond your core business?	How do we determine innovation distinction in the industry? How can we compare models?	What are the moving parts of the ecosystem – how does it all fit together and what are the critical pieces - the anatomy of an ecosystem?
How do you make big brother/small brother collaboration work or where power is not equal?		What does effective collaboration in an ecosystem look like?

The power of the ART framework lies in the fact that it creates a larger and more helpful context in which to answer these questions. For example, if these questions were asked from an adapt context, the answers would be different to the very same questions asked of a regenerative or transcendent context, which already adds strategic clarity and value.

Take the question, “How do you structure for innovation?” In an adapt context, you would probably look to empower your middle management team to harvest, propose, and implement

innovative ideas that optimise operations and customer experience and hold your competitive position. In a regenerate context you would also look to empower middle management to do the same, but at the same time develop an adaptive alliance or network strategy that allows for competitive collaborative learning, capacity building and experimentation with novel value proposition ideas to allow for the co-development of emergent propositions that promise future growth potential, constantly referencing the development in both streams, exploit and explore, and consider what this means for the direction of the future of the business.

Let's consider another question, "Why some collaborations work while others fail?" In an adapt context, the collaboration serves the interest of the incumbent's competitiveness and will always be subject to this primary interest, thereby serving the incumbent. This is evident in the start-up/incumbent collaborations throughout the industry where the incumbent holds the upper hand and determines access to resources and the success or failure of start-up new entrants.

In the regenerate context, where collaboration is set up in pursuit of new collective potential, the likelihood for failure exists simply because of the exploratory nature of the collaboration. However, there are other benefits to consider in this collaboration that become assets in the long term despite its shorter-term 'failure'. These benefits could be the competitive learning and the development of new capability and social capital through the life of the collaborative venture that, long after the exploratory collaboration has 'failed', become the more well-developed bedrock of alternative future success. This example demonstrates the value the framework provides when seeking answers to what seem like simple questions, yet when considered within the ART framework as reference, are shown up to be complex and strategically contextual questions to answer.

When sharing the emergent ART response strategy framework with incumbents in the insurance industry, the power of its strategic illumination on the distinction between the three broad response strategies was appreciated and considered helpful in terms of allowing industry players to recognise

their current place and their journey over time - something they were unable to articulate before seeing the ART framework.

“It’s actually quite amazing, I can see our journey in it. The transcend strategy is our destination, it’s our vision and it does look to me as if the framework you have defined touches on a lot of what we did, it helps make sense of a large part of our journey”. Interview transcript, participant #26 (ex-Manager Partner Integration, Insurer and now start-up CEO and innovation partner to an insurer)

The ART framework also demolishes the generalisation around innovation and innovation strategy and calls for more discerning consideration, especially when navigating beyond the familiar adapt and sustaining scenario into the increased complexity of the hybrid scenario of the regenerate response strategy and the collaborative, co-invention scenario of the transcend response strategies.

The research also shows that most incumbents in the insurance industry are responding and innovating from an adapt and sustaining perspective, with some mixed experimentation in the regenerate and transcend scenarios, revealing at the same time the real skill limitations, as viewed in the light of the literature, that keeps the industry locked into the adapt response.

The first limitation concerns the skill to develop more expansive, inclusive and dynamic value propositions and, in this process, to connect with and co-innovate with the fringe or the bottom of the pyramid or to look for innovative ideas that foster strategic imagining. In many instances, this most important activity is outsourced to innovation intermediaries or specialist teams with little connection to the core business and its leadership team.

The second concerns the leadership skill to lead complex, hybrid strategic scenarios. Without a cohesive and transformative future view, mandate and metrics, the tilt to traditional business imperatives and an adapt response, is overwhelming. This results too from a lack of leadership skill for strategic directing, convening and orchestrating beyond the familiar firm and industry frame, to shape

and collaboratively deliver to transformative value propositions for new markets and inclusive offerings.

The third concerns the skill to create room for developing rich absorptive capacity within incumbents and across partnering networks, to orient to future competitive resource development. While there is innovative learning taking place, it happens mainly in the innovation intermediary and innovation development ecosystem that is largely removed from core operations and their leadership teams, leaving these leaders blind to the emergent capability and thinking.

The fourth concerns the skill to create and nurture strategic adaptive space to either separate or integrate the emergent innovation and/or to regenerate the core business. The research highlighted a mishmash of ineffective approaches. On the whole, leadership skill to successfully manage the tension between exploration and exploitation is lacking.

It, therefore, stands to reason that the regenerate (transformative) and transcend (disruptive) response strategies demand extraordinary stretch requiring the embrace of richer complexity and a deep reach into the unfamiliar. It also requires a mastery of new terrain - like new markets, more dynamic and inclusive value propositions, new collective competence, a more distributed network-leadership approach across multi-actor collaborations and greater institutional agility and creativity through dynamic agency. In this stretch context, the research has evidenced a leadership gap in mature industry to take on this larger sea change and navigate deeper into these more complex, transformative and inclusive response strategies.

6.4 The ART framework and inclusive innovation

Inclusive innovation is fundamental to disruptive innovation, not just in terms of creating new low-end markets, or converting non-consumption into consumption through offerings for the fringe, the billions living on the lowest incomes - the Base of the Pyramid (BoP) - but also in terms of inclusivity as a multitude of connected actors (including the customer as resource integrator) co-creating value.

Both these aspects – inclusive access and collective co-creation of value - speak to the broadest description of inclusive innovation and engage part of, and in some cases, the full ladder of inclusive innovation in the innovation process - from the intention of the innovation to address the needs or wants or problems of the excluded group, to consumption where the innovation is adopted and used by the excluded group, to impact where the innovation has a positive impact on the excluded group, to process where the excluded group is involved in the development of the innovation, to structure where the innovation is created within a structure that is in itself inclusive and to, finally, post-structure where innovation is created within a frame of knowledge and discourse that is itself inclusive, where the framings of key actors involved in the innovation allow for inclusion.

This shift to more inclusive innovation practice in the private sector, has been recognised in inclusive innovation literature too.

“Recently, there has been an extension in practice of these alternative models with significant involvement of the private sector and global value chains, the development of poor consumers as an accessible mass market, growth of technological capabilities within developing countries, and the involvement of the new technologies, especially information and communication technologies (ICTs) such as mobile phones. There has been a lagged interest with labels attached to this phenomenon including ‘inclusive innovation’, ‘pro-poor innovation’, ‘below-the-radar innovation’, ‘grassroots innovation’, ‘BoP [base of the pyramid]innovation’ and more” (Heeks et al., 2013, p. 2).

The regenerate and transcend response strategies are, therefore, inclusive innovation strategies too. The regenerate response strategy opens the firm to inclusive innovation by exploring new low-end markets with expanding value propositions where new solutions are co-developed with the new customer. In the transcend response strategy, *the fringe first* sub-strategy in particular makes inclusive innovation primary and fundamental to the transcend strategy too, where the excluded are included in

the process of generating and developing new ideas and solutions that will change and improve their lives.

The ART framework benefits from this inclusive innovation perspective, which as I mentioned in the lack of skill in this chapter, is new and unfamiliar terrain for mature industry, yet fundamental to its future success. Inclusive innovation, when integrated into the ART framework, contributes in a way that enriches the regenerate and transcend response strategy scenarios and also makes visible the enabling and limiting similarities between inclusive and disruptive innovation.

For example, the stakeholder map of inclusive innovation, figure 15, highlights the extent to which a stakeholder view must widen to be effective in this inclusive and disruptive innovation space and how often, new policy frameworks need to be forged to create enabling environments for the new inclusive and disruptive innovation to emerge. This wider relational and network perspective of inclusive innovation is valuable.

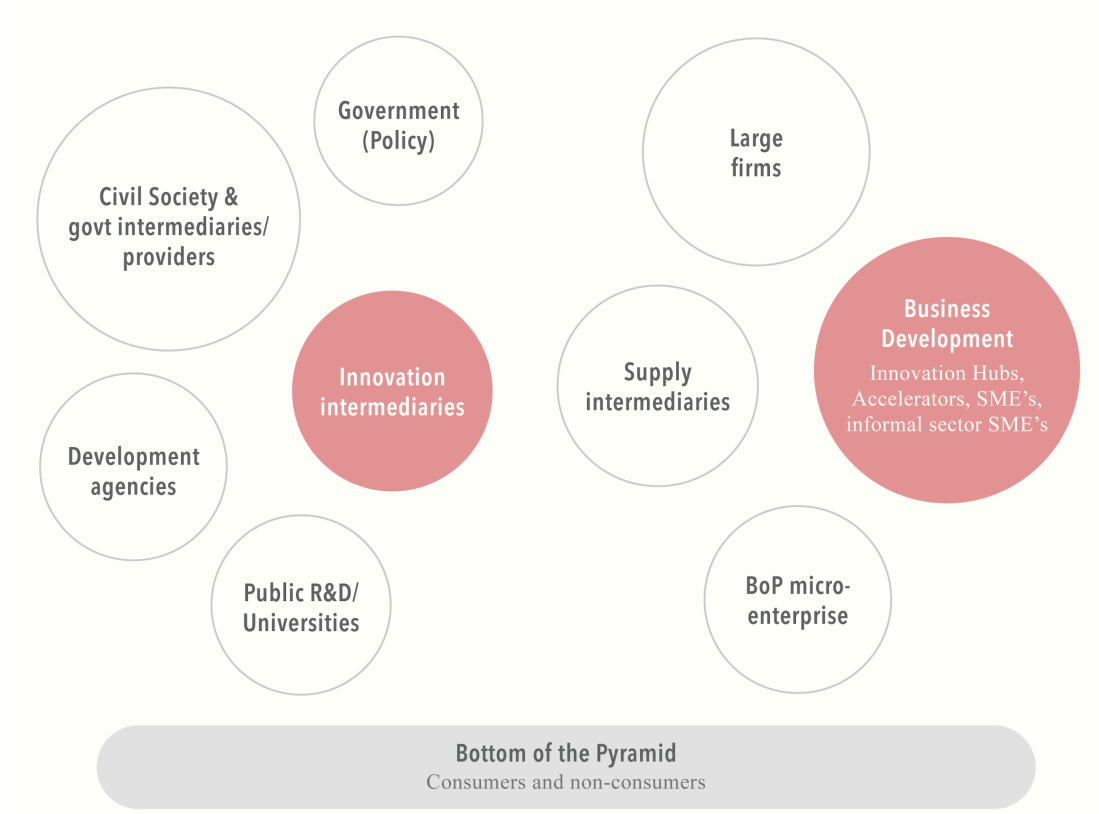


Figure 18: Inclusive innovation stakeholder map (Heeks et al., 2013, p. 19)

Staying with this stakeholder map, figure 15, my research has also revealed two similar key players/stakeholders in both the inclusive and disruptive innovation stakeholder maps, namely, business development stakeholders such as innovation hubs, accelerators, incubators, SME's and start-up ventures, and innovation intermediaries in the form of scouts, brokers and champions responsible for creating and linking a pipeline of new ventures to plug into or support the regeneration of existing business or the creation of entirely new ventures to deliver to the needs of new markets and converting non-consumption into consumption.

My research on disruptive innovation lines up too with the insights of Heeks et al. (2013) in their research on inclusive innovation in developing countries, where the search for innovation potential is often at arm's length to the core business and outsourced to innovation intermediaries both inside and outside the firm.

“Inclusive innovation is held at arm's length, partly due to the novelty and risk of inclusive innovation activities, and also likely in part due to stereotypical attitudes towards the BoP within these firms. Insourcing was relatively rare and would involve firm staff undertaking market research, including direct observation of low-income communities. Much more frequent was the outsourcing of some aspects. This had given rise to a cadre of ‘inclusive innovation intermediaries’, drawn from a great variety of sources” (Heeks et al., 2013, p. 17).

Inclusive innovation also suffers from the tilt to the adapt response scenario of the ART framework with firms almost wholly focused on the familiar markets, leaving greater inclusivity and the BoP pressures to corporate social responsibility to address.

“A key issue for larger, well-established firms was how to handle the relationship between their existing, traditional structures and processes of innovation, and those required to serve low-income consumers. For example, in Indonesia, large firm interviews did not see low-income groups as a main market: they were ignored or filed under ‘corporate social responsibility’.

Only those firms driven by the necessity of competition and shrinking margins in their existing top/middle-of-the-pyramid markets or driven by the recognised revenue opportunity were addressing low-income consumers” (Heeks et al., 2013, p. 14).

This highlights another similarity between the implementation of inclusive innovation and disruptive innovation, namely, the challenge these innovations/new ventures pose to established businesses and the tension this creates as described in the regenerate response strategy. This situation calls for the regenerate sub-strategies to navigate this tension - strategies like niche-ing ventures that do not fit the core business values, processes and margin demands, or creating absorptive capacity for the business to develop new capability and competence, and developing capacity for multi-actor co-innovation - all of which do not fit comfortably within established corporate practice or leadership skill.

According to Heeks et al. (2013), this tilt to adapt is present in civil society too, who, while focused on the low-end market, are less clear that their activities constituted innovation, in part because there is a strong emphasis on imitation, on adaptation. Without recognising and countering or creatively managing this very strong instinctive tilt in established firms and civil society toward the incremental inward-looking and sustaining adapt response, much disruptive and inclusive innovation effort will come to naught.

It is only with a coherent hybrid regenerate response strategy and the co-development of visionary inclusive value propositions that appreciate and demand inclusive/disruptive innovation in the low-end market as a strategic route to future growth and success, that disruptive/inclusive innovation can be fully optimised for new value co-creation and inclusive progress.

The Heeks et al. (2013) research also noted that specific government interventions were identified as having enabled particular innovations for low-income groups, highlighting the catalytic role of the state in the regenerate and transcend response strategies. This idea of state-enabled transformative innovation is strongly argued for by Mazzucato (2015) as an ‘entrepreneurial state’ that

evolves to do more than fix market failures and engage in risk-taking and also leads and partakes in the creation of a new vision for society.

Mazzucato (2015) challenges the current ‘dysfunctional innovation ecosystem’ where large companies invest more for short-run profit gains rather than long-run investments, increasingly relying on alliances with small companies and the public sector. She argues that we need to be more careful to build innovative partnerships that increase the stakes of all involved and that do not lead to ‘the socialisation of the risks and privatisation of the rewards’. She calls for the development of shared understanding of how to build an effective innovation ecosystem that is ‘symbiotic’ rather than ‘parasitic’ so that public-private innovation partnerships increase the stake, commitment, and return for all players investing in the innovation/development agenda.

The consideration of inclusive innovation in the context of the ART framework enriches the regenerate and transcend response strategies by marrying disruptive and inclusive innovation and showing their strong similarities and shared challenges. This inclusion and comparison also expand the concept of ‘innovation ecosystem’ to include a wider range of public, civil society and development actors. It also calls for an enabling, entrepreneurial role for the state to support a collective generative and transformative innovation agenda in response to not only disruptive influences but also in response to the larger disruptive tsunami of the ever deepening polycrisis of the 21st century that threatens our very survival and life on earth. It is this emergent meta-perspective that leads to the next point of consideration in respect of the ART framework.

6.5 From disruptive and inclusive innovation to generative innovation

Inclusive innovation and sustainable development are often considered together - both aiming to contribute to a fairer, healthier and more generative future. We have seen how disruptive innovation, inclusive innovation and by inference, sustainable innovation, run on similar tracks of opportunity and adversity, that all require complex leadership and collaborative skill and the enabling support of an

entrepreneurial state - for innovative policy frameworks, infrastructure, systems or platforms to support regenerative/transformational and transcendent/inventive innovation that serves society better. It is my view that when we infuse the inclusive, sustainable and disruptive perspectives into the ART framework, it becomes increasingly powerful and useful. I would argue that in doing so, a more integral and powerful concept of innovation emerges, that of 'generative innovation'.

While at the start of this study I sought to understand disruptive innovation and its response strategies better, this study has led to the unexpected insight of generative innovation as a higher-order innovation concept that is by nature disruptive, inclusive and sustainable, collective, regenerative and generative – capable of a deep and meaningful transformation of our institutions, systems and world order – the way we live, work, create, relate and consume in the world.

Generative innovation in this context is a meta-innovation strategy and a meta-institutional (inter-organisational) capability - where innovation rises above narrow, parochial interest and opens up to become a powerful expression of collective creativity and resolution. Generative innovation recognises inclusion and sustainability as fundamental to future success and engages with and addresses the larger forces of disruption now threatening regional, national and global stability and economies – like climate change, devastating poverty and expanding inequality, youth unemployment, health pandemics (mental and physical), to mention a few. Generative innovation takes cognisance of this very specific 21st-century context, local and global. It seeks to collectively address these shared concerns and grand challenges as an integral part of the innovation focus and process.

Generative innovation would, by nature, be a collective innovation strategy, to pursue a new realm of leadership, a new field of competence and contribution, and the co-delivery and shared experience of new value. It would seek inclusivity, sustainability, and dynamic development through interactive value propositions that serve markets, society, and the world better. The regenerate and transcend response strategies of the ART framework encapsulate the generative innovation scope and

approach and as a result, contribute to an understanding of the unique abilities generative innovation would require.

These would be to:

- engage and co-create with the fringe, the BoP and a diversity of innovative partners
- lead and manage hybrid strategies and complex adaptive systems and foster distributed leadership capability, optimising and revitalising existing organisations while generating the new and emergent
- co-discover and co-develop dynamic, interactive solution-centric value propositions where value is co-created by multiple actors and end users/consumers
- develop strategic absorptive capacity within organisations and across the collective to rapidly develop radical new collective competence and capability to build radical, transformative and generative solutions
- create an adaptive space to safely incubate the new while preparing to integrate new capacity to revitalise and transform the old
- foster relational and social capital to mobilise through key actors across vital and integrated networks
- lead or participate in a larger innovation ecosystem driving large scale transformation and change, and
- orchestrate collective delivery to generative solutions with the collaboration of multiple actors.

The regenerate and transcendent response strategies present an invitation to incumbents of a mature industry to orient to new relevance in a world different to the one they originated in, and to use the 'explore' and 'design' elements inherent in these two response strategies to co-create inclusive solutions and value that are not just good for customers and potential new customers, but that enable

large scale participation in re-orienting institutions and society to a world that becomes sustainable and regenerative too.

We are at a global, societal, environmental, and economic tipping point, and this invitation is real and timely and requires leaders and leadership skill that can steward dynamic collective co-innovation and co-creation. The ART framework helps us see what is required and confirms the role of institutions in innovation at scale, together with the power of networks of individuals and social practice, as recognised by Vargo, Wieland, and Archpru (2015) in the literature review of chapter 2. This combination: of institutions, networks and social practice enable this meta-institutional capability found in generative innovation. Institutions can, therefore, be powerful regenerative forces in the world, if open to the concept and the collective practice of generative innovation as defined here.

Russell and Smorodinskaya (2018) present a world in which a collaborative network approach to innovation is not just taking place at a firm and industry level, but at a level of regions and economies too. They identify a trend by individuals and companies, as well as regions and nations towards the formation of multi-fold network partnerships, where actors develop multilateral cooperation and create new value together. Economic advantage, they say, now accrues to those entities that can quickly transit from their traditional hierarchic model to a horizontal network structure and start participating in collaborative activities with similar network entities. They note too, that since the mid-2000's the innovation and competitiveness agenda in developed countries is increasingly concerned with ecosystemic and continual innovation, oriented toward persistent transformative change in the economy and society.

This new emphasis on a collaborative network approach to innovation at a firm, national and global level, where collective innovation is expected to not only transform industries but also regional and national economies, should place a concept such as generative innovation, high on the policy

agenda, a move that also calls for a radical upgrade in the leadership and governance for this emerging global generative capability.

6.6 Practical implications of the ART Framework

At the start of this study, I set out to find a practical framework for a mature industry to reference as they think about and determine how to respond to disruptive influences and become disruptive too. I do believe the ART framework helps in this regard and gives deeper insight into the limitations, challenges, and implications of these choices. In this discussion chapter, I have also linked disruptive innovation to the similarities of inclusive, and by inference, sustainable innovation, widening the practical application and value of this framework. In doing so, the regenerate and transcend response strategies have surfaced together into what I refer to as a meta innovation concept - that of generative innovation, a meta-institutional (inter-organisational) capability. These two response strategies specifically, contribute to a meta-innovation concept which directs the transformative power of innovation through collectives to achieve new competence and value co-creation that benefits all stakeholders and society as a whole. In this sense, the ART framework has practical value too for multi-stakeholder collectives working collaboratively on larger generative and transformational agendas.

The ART framework highlights the new skill and capability that institutions or mature incumbents need to develop to be more effective in this emergent collective field of transformative innovation. In the construction of the framework, we have seen how the literature has made a significant contribution and how practice appears to be less precise or distinctive, more experimental and leaning to the familiar, with a significant display of lack of know-how or experience and leadership skill to venture into this disruptive, collective and inclusive terrain. The key development priority, therefore, is attending to this capability gap that prevents mature industry from becoming disruptive.

6.7 Limitations

The first limitation of this study is that the research was limited to a small sample size in a single industry, the insurance industry (life and health), and in a specific region, South Africa. While the South African insurance industry is more innovative than other regions around the world, the industry per se is conservative. It would, therefore, be of value to test the ART framework within industries better famed for their innovative flair, and refine, edit or expand on the framework with this new input and insight.

My research spanned a period of 6 months and therefore provides a snapshot in time. A longitudinal study over time comparing not only incumbents in the insurance industry but possibly incumbents from other mature industry for industry comparison, would have delivered a more robust result.

Another limitation is that I have drawn significantly on a vast body of divergent scholarly work to give richer and more expansive definition to the ART framework and this may have created unintentional bias to the structure of the framework, and the interpretation of the research. While I made every effort to be as objective and reflexive as possible, my own insurance industry experience would have contributed to a degree of bias too.

At the time of concluding this dissertation, we are in lockdown around the world as a result of the COVID-19 pandemic. A global catastrophic event of this nature has the power to change everything and make this study more useful than ever before, or utterly null and void. Only time will tell whether global events of this nature serve as a limitation or a gateway into new relevance.

6.8 Directions for future research

My dissertation is in response to an invitation by Christensen et al. (2018), to develop a framework to guide response strategies for disruptive innovation, to answer the question, how does a mature industry respond to disruptive influence and become disruptive too? The Adapt, Regenerate, Transcend (ART) framework is my contribution to answering this question. Given that this might be

one of many attempts to do so, my findings suggest several directions for future research that can expand this area of knowledge and understanding.

The first suggestion for future research would be to test the ART framework through comparative longitudinal studies across a number of mature industries to assess how it performs generally across all industries selected and how it stands up in each specific industry.

In this research, I would suggest too that the framework is assessed in its ability to aid the shift from a focus on disruptive innovation to protect parochial interests, to a focus on generative innovation that allows for more expansive innovation that delivers more generously to a socially transformative agenda that addresses too, the polycrisis of our time.

The second suggestion for future research would be to test the ART framework through comparative longitudinal studies across inclusive and sustainable innovation agendas and projects to assess how it performs and stands up in each of these contexts.

The third suggestion for research would be to test the ART framework in a geopolitical, multilateral setting that requires a transformation of institutions through the collective innovation of a wide range of actors, again to assess how the framework adds value and stands up in these contexts.

The fourth suggestion for research would be to examine specifically the regenerate and transcend response strategies and determine the skill, relational, institutional, and leadership upgrade required for success within these particular response strategies.

The fifth and final suggestion for research would be to explore and build on the idea that the regenerate and transcend response strategies contribute to the meta-innovation concept of generative innovation - a collective and transformative innovation approach to pursue a new field of collective competence and contribution and a new realm of institutional leadership that serve markets, society and the world better.

Chapter 7: Conclusion

In conclusion of this dissertation, I reflect on objectives, process, results and my contribution and share final thoughts for the future as I look ahead.

7.1 Looking back

I undertook to study how a mature industry navigates disruptive influence and how it plans to become disruptive too. While Christensen and Raynor's (2003) contribution to disruptive innovation is seminal and central, many other scholars have made contributions too, but no work stands to bring these contributions together and expand upon them in a cohesive and meaningful way. Christensen et al. (2018) proposed three novel areas for research to enrich and extend disruptive innovation theory, one of which I have chosen to respond to, namely, identifying response strategies for disruptive innovation - setting out how firms do and should respond to disruption and which strategies are effective.

Through my literature review and research study I have developed the Adapt, Regenerate, Transcend response strategy framework in response to the Christensen et al. (2018) invitation. I have also explored how this strategy serves inclusive and, by inference, sustainable innovation, and believe it offers value to both of these innovation contexts as well as to the context of geopolitical multilateral innovation ambitions.

The ART framework exposes a range of new skill and capability required particularly in the regenerate and transcend response strategies as the journey towards greater degrees of disruption and transformation require more complex leadership, more rapid collective learning and more co-innovation to succeed.

The framework also begs the question of whether when viewed together in this time of polycrisis, the regenerate and transcend response strategies feed into a meta-innovation concept of generative innovation – a collective approach to innovation that disrupts at scale to serve markets, old and new, society and the world better.

The ART framework has, therefore, not only contributed to the field of disruptive innovation, but also to the fields of inclusive and sustainable innovation and evoked the consideration of a new meta-concept, that of generative innovation, for future study and development.

7.2 Increasingly curious

It all started with *An Incredible Curious Adventure* in 2016 (Amos, 2016a), a research project for Gen Re in search of how a mature industry like the South African Insurance Industry (Life and Health) perceived the future and their place in it. Little did I know at the time what a profound story of change and disruption would emerge and how that would not only lead to *An Incredible Curious Global Adventure* in 2017 (Amos, 2017) but also to this research dissertation which I completed in the time of a global lockdown brought about by COVID-19. In this context, the word disruption, as discussed in this dissertation, pales in comparison to the complete decimation brought about by this pandemic, of economies, of ways of living and working, and ways of governing a national and world order. The world we knew, is no longer. COVID-19 is the metaphorical ground zero of 2020, if not of this decade – the centre or origin of rapid, intense, or violent change.

Before the reality of COVID-19 set in, I was asked by Gen Re at the start of 2020 to propose a framework for another global research study. I suggested that this time the study explore the opportunity in the fringe and at the bottom of the pyramid, that it identify and articulate the transcendent and regenerative collaborative innovation opportunity out of the industry's current line of sight and that it seek to understand the new leadership qualities required to lead the industry and its potential new partners into new relevance and a possibly transformed future. My dissertation had naturally informed the direction and focus of this proposal. The intention with this research I suggested, is to discover insight, knowledge and a possible generative innovation architecture that could inform how the industry could, not only reinvent itself to better serve the needs of the 21st century, but also how the industry could co-create a set of generative solutions to address the polycrisis of this time.

In short, to shift the focus from disruptive innovation to that of collective generative innovation. This research opportunity, therefore, provides a possible first step to building on the outcomes of this dissertation, which is important in that while this dissertation introduces the ART framework and the meta-concept of generative innovation, there is still much work to be done. A field of study awaits to give both more substance. It is this field of study that I plan to continue with and hope to contribute to in the future.

A closing observation with regard to the concept of generative innovation as defined in this dissertation, is that it requires a high degree of re-storying for both a regenerative and a transcendent future. Yuval Noah Harari, in his book *Sapiens*, reminds us of our collective power through re-storying. Fiction, he says, has enabled us not merely to imagine things, but to do so collectively.

“We can weave common myths such as the biblical creation story, the Dreamtime myths of Aboriginal Australians, and the nationalist myths of modern states. Such myths give Sapiens the unprecedented ability to cooperate flexibly in large numbers. Ants and bees can also work together in huge numbers, but they do so in a very rigid manner and only with close relatives. Wolves and chimpanzees cooperate far more flexibly than ants, but they can do so only with small numbers of other individuals that they know intimately. Sapiens can cooperate in extremely flexible ways with countless numbers of strangers. That’s why Sapiens rule the world, whereas ants eat our leftovers, and chimps are locked up in zoos and research laboratories. Any large-scale human cooperation—whether a modern state, a medieval church, an ancient city, or an archaic tribe—is rooted in common myths that exist only in people’s collective imagination” (Yuval Noah Harari, 2011, p. 27).

This is exactly what is required of generative innovation with its transformative and transcendent collective intent to co-produce outcomes that are inherently inclusive and sustainable. COVID-19 as the centre or origin of rapid, intense, or violent change might have the power to

destroy the hold of old and outdated stories and create a white space for us to story anew and in this white space enable even a mature industry like the insurance industry, to imagine their business and the world with fresh eyes and inspired imagination.

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Appendix 1: Other research questionnaires

Questionnaire: Start-ups

Introduction and change/innovation experience

1. How long has your start-up been in existence and how did it come about?
2. How do you compete/collaborate with the insurance industry/mature industry?
3. What is your unique value proposition and how can it drive change in a mature industry?
4. Describe the drivers of change that give start-ups the opportunity to contribute to and even compete with a mature industry.
5. What gives start-ups an advantage that a mature industry lacks?
6. What do mature industries bring to start-ups that start-ups might lack?
7. How has competing and/or collaborating with mature industries affected the way you choose to innovate?

Understanding of innovation

8. What does the term innovation mean to you?
9. Has your understanding of innovation changed over time and if so, can you explain this change and its significance to you and your company today?
10. How do you talk about innovation in your company? Is innovation a single concept or are there important distinctions, or categories of innovation that are at work in your company today?

Innovation and disruption and the next wave

11. Describe the potential forces of disruption present in mature industries today and how these forces are influencing the way mature industries engage and co-innovate with start-ups?

12. How are start-ups helping mature industries innovate in new ways and even disrupt their industry space?
13. Are start-up and mature industry collaborations capable of shaping the next wave or are they limited to short-term innovation potential only? Explain your view on this potential
14. How does your innovation strategy consider and incorporate these potentials and what role do you hope your start-up can play in this field of possibility?

Innovation/reinvention process

15. Describe your start-up's contribution to mature industry innovation/reinvention process from start to finish?
16. What are the current strengths and shortcomings of this approach?
17. How does your start up fit/link into mature industry structure to support/enable innovation/reinvention?
18. How does your start up affect or influence mature industry culture to support/enable innovation/reinvention and also benefit the company in its day-to-day operations?
19. How do you access and secure innovation budget from mature industry for your innovation partnerships?
20. How are your innovation initiatives assessed, monitored, supported by mature industry?
21. Name 3 things your start up needs the most to improve its innovation capability and explain why these would make the difference you are seeking?

Innovation engagement and mobilization

22. What is your start-up story/narrative?
23. How does this narrative compare or connect with the narrative of mature industry?

24. How is an emerging shared narrative created or co-created when you collaborate with mature industry?
25. How do you frame and share your start-up narrative with potential investors and mature industry?
26. How do you engage and mobilise potential partners, stakeholders around your innovation offering?
27. How do you navigate conflicts between mature industry narratives and culture and the start-up narrative and culture?

Innovating for the new wave

28. In this age of digital disruption, how can start-ups create the next wave that will establish tomorrow's new dominant industry?
29. How can a start-up help or partner with mature industry to innovate to remain competitive while shaping new value propositions/business models that will secure it a place in the next wave of new dominant industry?
30. What are some of your questions you would like answered in this study regarding innovating for long-term success as a start-up challenging a mature industry?

Questionnaire: Venture Capitalists

Introduction and change/innovation experience

1. How long have you worked in the venture capital industry and what changes have you noticed over this time?
2. How do these changes affect the way you look for and decide on promising investments?
3. What is the focus of your company? What type of new ventures are you investing in and why?

4. What do these changes suggest for the future of mature industries and the start-ups that are potentially poised to disrupt them?

Understanding of innovation

5. What does the term innovation mean to you?
6. Has your understanding of innovation changed over time and if so, can you explain this change and its significance to you and your company today?
7. How do you talk about innovation in your company? Is innovation a single concept or are there important distinctions, or categories of innovation that are at work in your company today?

Innovation and disruption and the next wave

8. Describe the potential forces of disruption at play in the current environment and how these forces influence the way you look for investment opportunity?
9. The ventures that enjoy your backing and support – do they play a role in rejuvenating mature industry or are they creators of the new wave of future industry? Explain
10. In your view, how can mature industries reinvent to compete in, or even create/co-create this future industry space?
11. How does your investment strategy consider and incorporate these potentials?

Innovation focus in the context of navigating turbulence and shaping the next wave

12. Describe your company's process of discovering, imagining and assessing future potentials?
13. How does your company go about narrowing and defining your investment focus in the light of these potentials?

14. Are there any specific models, thinking frameworks, methods you refer to or use in shaping and defining your investment strategy and how are these helpful to you and your company?
15. Who is part of your futures inquiry and investment strategy development process – internal to your company and beyond – and why are these specific people/ teams tasked with innovation for your company?
16. How has the make-up of this team changed over the past 5 to 10 years and what and who is driving this change?
17. Have you recruited new and alternative skill for innovation/reinvention in the past 5 years and if so, what are you hoping this new skill will contribute to the current innovation/reinvention focus and need?
18. Where do you turn to for insight, help, and guidance in the context of investment focus and strategy development – internally, externally, locally and globally?

Innovation/reinvention process

19. How is your investment portfolio allocated across incremental versus disruptive innovation, and across short-term to long-term innovation and investment horizons?
20. How are your investments assessed, monitored, supported?
21. How do you balance the short-term performance pressures with the long-term potentials of your investments in new ventures?

Innovating for the new wave

22. In this age of digital disruption, what is the role of the venture capitalist in creating and sustaining the new wave of future industry leaders?
23. Who are your partners or collaborators in this effort and how do you imagine, strategise, work and create together?

24. What are some of your questions you would like answered in this study regarding innovating and investing to create the new wave or to be part of it?

Questionnaire: Industry consultants

Introduction and change/innovation experience

1. How long have you consulted to or been associated with the insurance industry?
2. Describe industry shifts, significant changes or unexpected disruption that you have witnessed, led or participated in at any time in your career?
3. What and/or who were the drivers of the change at the time and how did it come about?
4. Describe your experience of it and your role in it?
5. Describe the learning, insights and personal growth gained from this experience and how this has informed the way you consult on innovation and change today?

Understanding of innovation

6. What does the term innovation mean to you?
7. Has your understanding of innovation changed over time and if so, can you explain this change and its significance to your consulting today?
8. How do you talk about innovation in your company? Is innovation a single concept or are there important distinctions, or categories of innovation that are at work in your company today?
9. In your experience, how are mature industries approaching innovation and what is there primary focus in this regard?
10. Describe the relationship between your client's innovation and business strategy?
What links them and what sets them apart?

Innovation and disruption and the next wave

11. Describe the potential forces of disruption present in your clients' industry today and how these forces are influencing your clients view of the future and their place in it?
12. How are your clients navigating or planning to navigate the turbulence brought about through disruptive forces - to stay in or ahead of the game?
13. How can these disruptive forces create a degree of obsolescence in your clients' industry and initiate a new "wave" of potential that your clients could drive or be part of?
14. How does your innovation consulting address these potentials?

Innovation focus in the context of navigating turbulence and shaping the next wave

15. Describe the key drivers that inform your firm's and your clients' approach to innovation/reinvention?
16. How and why has this changed over the past 5 to 10 years?
17. Describe what this change has meant for your firm and your clients and how you approach and consult on innovation today?
18. Describe your firm's process of discovering, imagining and assessing future potentials and how you support your clients in this process too?
19. How do you assist your clients in narrowing and defining their innovation/reinvention focus - for the short term, medium term and longer term and for incremental and disruptive innovation?
20. Are there any specific models, thinking frameworks, methods you refer to or use in shaping and defining your clients' innovation strategy and how are these helpful to your firm and your clients?

21. Describe the scope of your innovation consultancy support to your clients – does it focus on their industry only or extend to other industries (cross-industry collaboration) and even to industries in the making (for example, new open platforms)?
22. Who do you include in your client innovation/reinvention inquiry and strategy development process – internal to the client and beyond – and why are these specific people/ teams important to this process?
23. How has the make-up of this team changed over the past 5 to 10 years and what and who is driving this change?
24. Have you recruited new and alternative skill to your innovation consultancy team in the past 5 years and if so, what are you hoping this new skill will contribute to the current innovation consultancy delivery?
25. Where do you, as a lead consultant in the field of innovation, turn for insight, help, and guidance – internally, externally, locally and globally?

Innovation/reinvention process

26. Describe how you help clients develop an innovation strategy and plan?
27. What are the strengths and shortcomings of your current approach?
28. How does your firm support clients on their innovation journey?
29. How does your firm help your client develop an innovative culture to successfully innovate and learn from this innovation to benefit its day-to-day operations?
30. How does your firm advise on the allocation of resources to innovation initiatives - across incremental versus disruptive innovation, and across short-term to long-term innovation/reinvention horizons?
31. How does your firm support the assessment, monitoring and support of client innovation initiatives?

32. How do you advise your clients on the balance of short-term performance pressures and innovation/reinvention opportunities?

Innovation engagement and mobilization

33. How does your firm help your clients update or transform their corporate narrative to support change and the innovation journey?
34. How does your firm support the co-creation of emerging collective narratives in more open innovation initiatives?
35. How does your firm support clients as they engage and mobilise key agents, partners, stakeholders around your innovation strategy and emerging narrative?

Innovating for the new wave

36. In this age of digital disruption, how does a mature company innovate to remain competitive while shaping new value propositions and business models that will secure it a place in the next wave of new dominant industry?
37. What are some of your questions you would like answered in this study regarding innovating for long-term success as a mature industry?

Questionnaire: Government and regulator

Introduction and change/innovation experience

1. Describe industry shifts, significant changes or unexpected disruption that you have witnessed, led or participated in at any time in your career?
2. What and/or who were the drivers of the change at the time and how did it come about?
3. Describe your experience of it and your role in it?
4. Describe the learning, insights and personal growth gained from this experience and how this has informed how you execute your role today?

Understanding of innovation

5. What does the term innovation mean to you?
6. Has your understanding of innovation changed over time and if so, can you explain this change and its significance to your role today?
7. How do you talk about innovation in your department? Is innovation a single concept or are there important distinctions, or categories of innovation that are at work in your company today?
8. In your experience, how do you as a regulator, key government department view and approach innovation and support innovation within and across industries?
9. What, in your view is the role of the state and the regulator in nurturing innovation?
10. What is the visionary role of the state and regulators in seeding exploratory inventions/innovations that could birth new industry and create new opportunity for citizens and customers? (For example, the internet, biotechnologies, new energy technologies...)
11. How has the state/regulator performed in this regard?
12. What are the limitations that prevent the state/regulator from playing a larger visionary and supportive role to constructive innovation?

Innovation and disruption and the next wave

13. Describe the potential forces of disruption present your domain of governance and the opportunity and threat this disruption presents to industry and society?
14. How are you supporting and contributing to an innovation agenda that supports industry and new start-ups to successfully navigate current and future turbulence and reinvent or transform for new success that benefits society too?
15. How can your department or team help usher in the new “wave” of potential that mature industry, start-ups and even citizens can be part of and even co-create?

16. How does your department/team address these potentials?

Innovation focus in the context of navigating turbulence and shaping the next wave

17. Describe your department's process of discovering, imagining and assessing future potentials and how you collaborate with and support industry in this process too?

18. How do you narrow and define your innovation focus and agenda - for the short term, medium term and longer term?

19. Are there any specific models, thinking frameworks, methods you refer to or use in shaping and defining your innovation strategy and how are these helpful to your department and the domain you govern?

20. Describe the scope of your innovation agenda – industry specific, domain specific, cross industry and domain, public/private partnership platforms?

21. Who do you include in your innovation/reinvention inquiry and strategy development process –and why are these specific people/ teams important to this process?

22. How has the make-up of this team changed over the past 5 to 10 years and what and who is driving this change?

23. Have you recruited new and alternative skill to your innovation team in the past 5 years and if so, what are you hoping this new skill will contribute to the current innovation capacity?

24. Where do you turn for innovation insight, help, and guidance – internally, externally, locally and globally?

Innovation engagement and mobilization

25. How can or do your team contribute to a new narrative that shapes innovation in your domain or industry

26. How does your team support the co-creation of emerging collective narratives in more open innovation initiatives across your domain or industry?
27. How does your team engage and mobilise key agents, partners, stakeholders around collective innovation initiatives and ambitions?

Innovating for the new wave

28. In this age of digital disruption, how, in your view, does a mature company innovate to remain competitive while shaping new value propositions and business models that will secure it a place in the next wave of new dominant industry?
29. What, in your view, is the role of state and regulators in supporting or contributing to this innovation in a way that benefits society more than ever before?
30. What are some of your questions you would like answered in this study regarding innovating for long-term success as a mature industry?

Questionnaire: World Building, Futurist, Storytelling professionals:

Introduction

1. How long have you practiced or worked in the world-building space?
2. Tell us about the different roles you have played and what you have learnt from this?
3. How has your world building experience enriched your understanding of the world we live in today and the world we could live in, in the future?
4. What has your world building experience enabled you to see that would have remained a mystery to you without this experience?

About the world building process

5. Tell us broadly about the world building process?
6. What is fundamental to successful world building – that without it, it would not happen?

7. How do you move from world imagining to world building? What are the key processes in and roles pivotal to this process?
8. How can multimedia and new technologies assist in this process?

Similarities in world building and strategic imagining

9. In your view, how can the framework for world building be of value to future imagining for mature industries looking to create the new wave and become central to or at least part of it?
10. How do we translate imagined worlds and scenarios into innovation strategies and projects?
11. What are the lessons we can take from storytelling and narrative development to the world of innovation engagement and mobilization?

Prototype for real life experimentation

12. How can we prototype a multi stakeholder future 'imagineering' and collective innovation planning experiment to be tested with a mature industry client in South Africa as the key convener?

Appendix 2: Gen Re Online Survey, 2018

The insurance Industry Innovation Landscape

SurveyMonkey

#9

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Monday, July 23, 2018 10:36:52 AM
Last Modified: Monday, July 23, 2018 10:45:25 AM
Time Spent: 00:08:33
IP Address: 41.50.86.61

Page 1

Q1 Please state your name, organisation, role and region of operation?

Name: Ross Tasker
Organisation: Nobuntu
Role in your organisation: Co-founder
Region of operation: Gauteng/Western Cape

Q2 Which sector do you represent? Fintech/Insurtech

Q3 Briefly describe the future potential of the insurance industry and the role you wish to play in it?

There is huge potential for the future of the insurance industry - nothing is impossible. However, established players in the industry need to broaden their views and be open to breaking the status quo.

We wish to drive the change and be the disruptive force behind the transformation.

The insurance Industry Innovation Landscape

SurveyMonkey

Q4 From the list below, identify the immediate and longer term goals and ambitions of your company?

Competitiveness of current offering	In focus now
Market share	In focus now
Profit through efficiencies & savings	In focus now
Competitive edge through technology & convergence	In focus now
Competitive differentiation through radical product & service innovation	A longer term focus
Business growth into new markets (for example, the next 2 billion)	In focus now
Changing the playing field by defining new transformative industry business models	In focus now
Quick wins through value chain innovation or disruption	In focus now
Optimisation of dynamic new channels to market with exceptional user experience	In focus now
Future industry dominance by creating and leading co-innovation platforms	In focus now

Q5 . "Innovation in my company is ...

Other (please specify):
Our only focus!

Q6 What does "digital innovation" mean to you? Give examples of where you see digital innovation in the insurance industry today?

Digital innovation means the changing of processes and established ways of doing things through the use of technology. It is slowly being seen creeping into various aspects of the industry (IoT/claims processing/comparison websites), but we would like to see more happening in the product design and distributions space.

The insurance Industry Innovation Landscape

SurveyMonkey

Q7 Which of the areas identified below are key to your company's innovation strategy?

Seamless claims experience	Key, but only in the long term
Simpler, automated underwriting	Absolutely key in the short-term
Platform-based co-creation with customers & supplier networks	Absolutely key in the short-term
Intelligent assessment capability (Genetics, IoT, AI, Data analytics, Health data)	Not a focus
Data power: Integrating with other data sources & applying AI & Machine learning	Absolutely key in the short-term
Virtual Reality solutions for insurance	Absolutely key in the short-term
Smart contracts	Key, but only in the long term
Seamless customer experience & conversational commerce	Absolutely key in the short-term
Value propositions for new markets (e.g those currently excluded - the next 2 billion)	Absolutely key in the short-term
Driving new customer adoption of entirely new ways of purchasing & using insurance	Absolutely key in the short-term
Meeting emerging societal needs through fresh value propositions (e.g. self employed & ageing)	Absolutely key in the short-term
Insurance embedded in other products (e.g like insurance embedded in airtime sales)	Key, but only in the long term

Q8 Identify where in the current value chain, innovation could create the greatest advantage for your company and explain why?

Product development

Q9 Innovation in my company is

an ongoing learning process that involves highly collaborative internal teams & external partners

Q10 Which statement best describes you?

I am a start up with solutions to offer the insurance industry and looking for open innovation platforms where I can contribute

Q11 Identify the most important sources of inspiration for your company's innovation?

Community, societal and world problems or opportunities

Social entrepreneurs and activists

The insurance Industry Innovation Landscape

SurveyMonkey

Q12 We would like a reinsurer to help us with....

Share global insights and innovation experience ,

Assistance with reframing and reinventing our risk models

,

Funding/investment in testing and launching new risk models and products

,

Linking us with potential partners and collaborators to further develop of new risk protection/life enabling offerings

Q13 What new thoughts or insights have emerged for you by completing this questionnaire?

The landscape is vast, and there are no easy answers!

Appendix 3: Coding table

First order		Interview extracts	
<p>Innovation orientation context</p>	<p>Leadership disconnects</p> <p>Focus on adapting</p> <p>Conservative</p> <p>Limited innovation</p> <p>Solid books</p> <p>Unthreatened by start-ups</p>	<p><i>“I think, what is often a problem, is that the top leadership hasn’t really taken the trouble to have an informed point of view on the future and do the work to understand this and to have the conviction to do this and to follow through with it. Mostly they are worried about making the next quarter’s earnings and stuff like that. They might do this because the board wants them to pay attention to the longer-term future and they have a bunch of people like me doing some work but if they don’t feel it in their belly, then it’s not really that authentic, which means that when the chips are down they don’t stick with it. So often there’s not this “own conviction” whereas I think where that exists in a company like Discovery, you’ve got the founder, Adrian’s vision, his conviction, and you can do so much more if you have that. It’s quite rare I think”. Start-up partner to incumbent</i></p> <p><i>Typically, I think innovation doesn’t really emerge from within corporates. It’s very, very hard to do. I think there are very few examples of that happening and actually happening consistently. So, we always get like a bright spark, like an Adrian Gore within that maybe has some revolutionary interesting idea, but you know to have that inculcated in your culture, I think is very hard to do. An Apple sort of manages because actually that’s the genesis of how they got started, and even that you know now with Steve Jobs’ leaving, it’s not quite there anymore, you know that real spark of genius. Venture Capitalist</i></p> <p><i>“It’s difficult though to get people to think out the box. They’re quite blinkered, because it’s not their job to think outside the box. So, we use our facilitators to actually do that. Corporate innovation is really tough because you’re up against everything every day because it’s changing the way people work and the biggest hurdle is getting the top brass guys over the line, and that’s not just the exco’s, it’s the layer below that”. Incumbent</i></p> <p><i>Now Aviva is a 400-year old company, Old Mutual, a 160-year old, Liberty 60. I mean with that amount of time, things just get a mess and so complexity reduction, simplification, big data and when you are trying to dedicate resources towards that, even if you want to have an innovation or a “thinking different agenda”, it requires a very different mindset to fix than to have the freedom to blue sky, so I think companies reaching the maturity or reaching a realisation that you need to fix and simplify was a big driver and rather than how much innovation has happened. Incumbent</i></p> <p><i>“Let me start by making the obvious point, that insurance and reinsurance are both a very conservative industry - conservative because they’re set in their ways, conservative also, because by their nature they tend to be driven by the intellectual energy of actuaries and when you get into the detail of insurance and reinsurance, they are one of two ways. One is to use the past as a predictor of the future, that’s the only information that actuaries have to design product and then to sell those products. The other is to try and use past performance to price risk in a very discrete way, but you need the same kind of skill set to be able to price the risk. And for that reason, there is an innate conservatism and because of the way in which actuaries work, their brains work, their training has been - they hope that everything will respond to the model that they’ve constructed - that relates to the pricing issues, it also relates to the trouble that Momentum found themselves in just recently, because the fact that somebody could be a victim of a homicide in that car-jacking attempt, doesn’t feature in the normal disease profiles that they analyse, and I think that it’s quite important to use that as the undergird”. Chairman, Incumbent</i></p> <p><i>“The traditional insurance market has actually not been particularly innovative and actually even Discovery over the last 5 years or so in my view, has not been overly innovative. I think they just built on what they had done from an innovation perspective but actually for brand new innovation, I think we had very limited innovation in this market”. Reinsurer</i></p> <p><i>So it’s funny, because all the big providers still have solid books and they’re staying there - no one is going to close down, but I think, based on that thing that you said at the start about the balloon that’s popped, my perception is everyone is so aware that something needs to happen and everyone is worried that Google or Amazon is going to come and take us over and take us out, so I think everyone is aware that something needs to change, but a) what is that and b) it’s difficult when you’ve got a running business, that’s not shooting the lights out, but it’s churning over. It’s difficult to radically change the recipe. Incumbent start-up</i></p> <p><i>“The other argument is, that there is space in the industry for all of these guys to grow up. Somebody must’ve lost, but nobody went backwards, so actually the industry grows with the population, you could argue that Old Mutual should have grown much more radically faster if Discovery didn’t exist and likewise if Bright Rock didn’t exist, but no one seems too unhappy and all those executives get paid big fat cheques. So, there is capacity, the industry has capacity to absorb the new players. Start-up</i></p> <p><i>“I’m not that worried about new start-ups. I am not worried about the guys in a garage like Pineapple or whatever. In Life insurance specifically, it feels to me that if you don’t have all the lessons that they have over a hundred years, then you’re really on the back foot. So that’s the one thing of the expertise, and also with regulation, all the regulation and all the impacts that that has and then all the capital that you need and skills and everything, so insurance isn’t like retail or whatever that you can sort of bootstrap from something small and grow into something major. Anyone who is going to disrupt it, needs to partner with someone from the industry, that could be reinsurance or whatever”. Incumbent start-up</i></p> <p><i>“For a start-up starting with a new product where you need a big insurer to back you is almost impossible, because the insurers only back you - because for them it is an economic question, if they are going to make money. And they have got a whole different set of questions to the regulator who wants you to be backed by an insurer. It’s two difficult hurdles to jump over”. Start-up</i></p>	

First order	Second order		Response
Innovation orientation	Improvement	<i>"I think innovation is better ways of doing things. It might be a product, or a way we handle an amendment to a client policy. So, when we see innovation happen everywhere from facilities department all the way through, it's about improving the way things are being done to make quicker, easier, cheaper and all of those things". Incumbent</i>	Adapt
	Doing something better	<i>"I think for me innovation is in general to do things better, to do things smarter, to improve them. I think the misperception, in my opinion, and what generally see is that people think of innovation is this wildly new, totally creative off the charts wacky ideas". Incumbent start-up</i> <i>"there's the stuff that "continuous improvement, what you could call incremental innovation, but I think that's a more basic level of just process improvement" Incumbent</i> <i>"then there is incremental innovation, when you're taking your business processes and you're saying we've been doing the whole thing like this all along, call centre agents and all the actuaries were doing this, why don't we get them all to do this new thing," Incumbent</i>	
	Digitising existing offering	<i>"To some extent some of the innovation is just taking us into a digital realm, so start digitising everything you have, and that means that you can then give your client an end-to-end seamless experience on some sort of a device. You know you can start the purchase of insurance and conclude it online on a mobile device. There is some of that innovation. Otherwise I sometimes think that's just digitising what you have, you haven't really changed anything". Incumbent</i>	
	The whole value chain, better value	<i>"The question can also be about how business must make themselves better? There are marginal improvements and also innovations across the whole value chain, customer experience surely is very important strategically, but I guess you need to look at innovation across the whole value chain to the extent that you can become more efficient back office, in an innovative way. You can give better value for money" Incumbent</i>	
	Buzzwords	<i>"Innovation is such a buzzword and I think because corporates are so used to their way of doing things. I think that anything that's fresh and wacky, gets their attention". Incumbent start-up</i> <i>"I think the first warning sign is when somebody says that what they're doing is innovative or it's innovation, then usually it's not, it's more about building something better - what I like about the Pineapple guys is that they looked at what's wrong with the current model and how can we do it better. So, it's really looking at how do we build something that's better for users, better for the business". Start-up</i> <i>So, there's technical innovation which is really core to what Indiefin are doing and there is a lot of that happening in the world, but the product innovation is very far and in between". Start-up</i>	
Innovation orientation	New solutions, Solution partnerships,	<i>So, it's about starting to understand that customers see you as the solution in their life, not necessarily a tick box in one area. So that's how I think of innovation. Incumbent</i> <i>"Innovation needs to encompass a form of partnership. You can't solve all the problems of the customer yourselves. It's being able to understand how you can link what somebody else is doing to something you're doing and then create something unique". Incumbent</i> <i>"I think you can simplify innovation to saying "it's the ability to identify or pre-empt or predict problems and opportunities and finding creative solutions or remedies for that. I think that general heuristic is probably true across both Sanlam and Indie and the difference between Sanlam was solving different problems. But innovation is the solution to the problem, it's not about the sexiness to the problem. I think at Sanlam and in the industry when they think of innovation, they think of more longer-term things like chatbots, artificial intelligence and getting all your data from Fitbit or whatever, all of the stuff that the industry talks about. That's the 10 to 15 year thing. So, I think innovation now is engaging with the client, getting client feedback. I see it as the in between from where we are now to a 15-year thing. What we're trying to focus on is just that next step - of how do we get away from the traditional model that we know that's working, but it has its limitations, how do we sort of move with the times? Incumbent start-up</i>	Regenerate
	Short- & long-term mix		
Innovation orientation	White space	<i>Innovation is seeing the white space, a space that nobody else is playing in and that comes from really deep emergence in your customer's life, that comes from really understanding and immersing yourself in a customer's every-day, sort of walking the journey with them". Incumbent</i>	Transcend
	Virgin territory	<i>"Particularly in the insurance space, I think innovation is in a sense virgin territory, where it's an area of the market where you've never been in before". Reinsurer</i> <i>"Process innovation is a part of it. I think what Discovery did, is actually that. It wasn't as if that market didn't exist or the product didn't exist, but they came in with a very different view of process and thinking into that space that was already there. So, you can do that through process innovation, do that through some form of product or combination, but it's effectively reaching somebody that hasn't been reached in that way before.</i>	
	Radical business model change	<i>"obviously at the extreme is radical things like business model or rejigging or wholesale cultural change, I mean disruptive innovation". Incumbent</i> <i>"Innovation can be about new paradigms that emerging technology allows. If, we were to completely rethink, if we were to start an insurance company today, what can we throw away in terms of the current setup and the current infrastructure? So, if we were just to interact with a customer over his 'phone, what kind of business do you need to build and what does that allow you to do?" Venture Capitalist</i>	

<p>Value proposition</p>	<p>Towards customer intimacy</p> <p>Responding to customer pulling power</p> <p>Inclusivity and Trust</p> <p>Deep curiosity and listening for new understanding</p> <p>From transactional to relational</p> <p>Creating opportunities to engage</p> <p>Customer success & empowerment</p>	<p><i>Discovery leapfrogged everybody in a sense because they started to understand, by having deep data insights, you can actually create unique value propositions. Just by understanding what they're (customers are) grappling with you can start connecting the dots between their lives and what we want to offer. It's an immersion externally and an immersion internally". Incumbent</i></p> <p><i>"And so when you look at what is actually driving innovation, it's the great empowerment of the consumer at the end of the day, this is a global thing, where if you look at the South African context, just locally, for Capitec, when Capitec was starting to grow, they were giving the consumer a cheaper bank account and a retail experience when you went to the branch, which is what then pushed an FNB and the rest of the guys start thinking cool, how do we actually start to up our game And so you start to see all of these guys are starting to innovate because consumers have more pulling power in the market and that is where South Africa is playing in an interesting space because we do have that". Start-up</i></p> <p><i>"Look what happened to Momentum this morning. I don't know if you saw the controversy around the death claim that they declined, so that happens in a flash. Yesterday it wasn't on the radio and today it's top news". Incumbent</i></p> <p><i>"Often, they don't have the trust relationship, the brand doesn't really allow them to go there, so they need another vehicle to be able to access that. So, I don't necessarily want Sanlam to know much about me, but I might have a built a relationship with Pineapple and I trust them. I think it's amazing and I don't know if you know, so Pineapple have built 45000 followers on Instagram. They have got that mentality. They understand their peer group. You know it's very hard for a 40 to 50-year old executive to try and understand a very different mindset". Venture Capitalist</i></p> <p><i>"So, it's very inclusive, the way we work and that's quite new to companies, or fairly new. They're not used to working like that because they've also outsourced their eyes and their ears in the industrial era, they weren't used to allowing the customers inside the organisation, in terms of designing. We have designed companies to keep people out between 18th and 19th and 20th century, and basically during industrialisation. So now finally companies have to let people in, and they don't know how to really do that. So, it's quite new to them in terms of understanding just the way of working in collaboration" Consultant</i></p> <p><i>"So, what typically happens when you take a client and you are taking somebody who is typically sitting in RMB- the conversation will be typically around the existing business, the existing processes, whatever they're doing right now. Whereas if a Foundry business had to interact with that same client, they interact at a level of what are your business problems, what is going on in your business, these are some things we are seeing what's going on. It seems even if you're having a conversation with the same client, it tends to happen at this different level, a different conversation. So, in some ways we are extracting some information from the clients that the traditional salesman sitting within RMB is not getting, they might not even know the questions to ask. So, you see common problems, you ask them questions that the corporate itself wouldn't ask, you build the relationships and you see certain common problems between all of these, that may not be addressed and that's where the opportunity lies". Investor/Accelerator</i></p> <p><i>"The unique thing we bring is the ability to engage productively with clients pre, during and after sale. So typically, the big old financial services companies, including the banks, have a very transactional relationship with their clients, so you buy insurance and then you claim or you pay your premium, but with the concept of the Wealth bonus we have built inside our product, it gives us the opportunity to have an ongoing positive conversation with our clients and actually add value as we go, rather than it being pure transactional. So, it's going from transactional to relational - this is probably where we will make the biggest impact. So, where Sanlam's executives are getting a lot closer, a lot of it is inspired by Plug-&-Play, is that the client experience is the next competitive landscape. So you've got to go beyond transactional products to experience, and then that is that kind of language, so then they look to us to say there are certain roles that exist in more modern companies that do not exist in big corporates, something like a customer success, which is not service, it's a pro-active trying to make clients more successful with what they are doing with your products and that's the kind of stuff which the big corporates will eventually have those types of roles. We can hopefully lead the path and how they get there". Incumbent start-up</i></p> <p><i>"It's a matter of creating opportunities for people to engage with you at a point that makes most sense to them because at the end of the day you'll never be able to sell products to someone who doesn't really want your product, there's no amount of innovation that's going to do that". Incumbent start-up</i></p> <p><i>"It's more on empowering a client to understand their products better but also understand financial services better, so that they can make more decisions themselves...but I think what we really want to do is have a journey with the client. We realise that we first need to get them as a client, but then really have a journey with them to understand their product better, have regular engagement, enhance their general understanding of financial services and then I think you can get more valuable feedback". Incumbent start-up</i></p>	<p>Regenerate</p>
<p>Value proposition</p>	<p>Multi-actor co-creation</p> <p>Shared value</p>	<p><i>"We are engaging with players outside of the traditional sector and looking at MNOs (Mobile Network Operators) as a classic example, and businesses in the telecom space, who are encroaching on this space but don't necessarily have the expertise to do it. They have the distribution, franchise and branding but they don't have the skills to go and execute on a financial services type of mandate". Investor/Accelerator</i></p> <p><i>"The theory behind this that we have really bought in to, which started with Michael Porter and the whole thought of shared value. So, when businesses interact with customers, businesses make profit, but customers also benefit from the interaction and they can see it. And they appreciate what they get out of it beyond just buying the product and handing over money for it. So, what we then did is to think well exactly Vitality does exactly that. That's what makes it so appealing to people. So, we worked with him to create this whole category of shared value insurance and say there's a deal here. You look after yourself and if you do, we know the risk is lower and we're going to make more profit on your policy and give you some of that profit back, but actually we'll even take it a step further and give it to you up front - so you get a discount when you join, which obviously means we get more business because it's cheaper and then if you do this, then you have retained that discount and in fact it might grow over time and you get a whole lot of other rewards that are exciting and interesting to you and we have to work to keep it that way. So, it's very much in line with that, so that there's shared value between us and the customer. There's also in our philosophy for instance, a shared value contract between us and our partners". Incumbent</i></p>	<p>Transcend</p>

Context		Interview extracts	
Ecosystem play context	<p>An ecosystem network effect</p> <p>Open innovation</p> <p>Dominant ecosystem design</p> <p>Country ecosystem</p>	<p><i>“There’s some really interesting start-ups that are doing really cool stuff, they would be interesting to know. Then I think this whole kind of ecosystem, how that’s emerging, you know, what is necessary to kind of help build it, what are the leverage points, what are the critical gaps? If that just gets pulled up just a little bit, then the whole ecosystem really starts pumping”. Venture Capitalist</i></p> <p><i>“It’s funny, because the ecosystem speaks to the ecosystem and in South Africa obviously 4DI has been a big source, Alphacode has been a big source and, that’s exactly it. As soon as people start connecting and you start working with them, people will say you must speak to so and so, you must speak to so and so”. Incumbent Innovation Hub</i></p> <p><i>“People realise that we have relationships that go beyond either a local relationship or a particular product or regulatory relationship or whatever it is, and so they look to us and say how can we help them to collaborate outside of just their sphere of influence. Because people are realising that actually somebody in Turkey is busy developing something, how will I know that that guy has got a life-transforming technology that’s actually what we really need in our business. Well the only way for me to know that is either for me to be trundling all over the show and I happen to flip upon it or to have a relationship with somebody who is globally connected and that person that is globally connected, that is a reinsurer”. Reinsurer</i></p> <p><i>“That’s really the way, if you talked about this whole open innovation approach, or these influential individuals inside the organisations, they won’t be restricted about who they go to. They go to whoever will help them most to solve something and they’re happy to co-create with outsiders as well, other partners as well and where they find like-minded individuals, that over time might get formalised with formal joint venture initiatives and so on”. Ex-CEO Incumbent</i></p> <p><i>“You have to find your ecosystem, what are the problems that people are going to come to you for and then you have to ask yourself a very serious question around who will have the dominant design? When Facebook became the dominant design for social networking, there’s no place for second place. So, Liberty is finally, through Dave Munro’s influence, thinking about an ecosystem context rather than a product house context. So, they’re thinking of ecosystems, like health ecosystems, retirement ecosystems, that sort of thing. So, in the health ecosystem in which Discovery dominates completely. So, you can either be the leader in the ecosystem or you can be a player”. Incumbent</i></p> <p><i>“How does a country compete? Well a country should compete with an ecosystem. We should have digital money, WeChat in China. We should have fibre everywhere, because it allows more towers to pop up. We should have plenty digital TV so that the analogue spectrum can be released for all the demands for data spectrum. I think we rely on governments or very rich people, so in America the railway barons, to put down network, a service and other people can build on top. I think that is important. South Africa will get screwed by the likes of China, where there is a command mentality that says a central planning mentality that says, we need to have a billion of our citizens connected. They need to be off cash and they need to have access to the internet”. Start-up</i></p> <p><i>“My sense of it is that in the past Central Banks would depend very much on the International Relations Department signing a bilateral over long periods of time and dialogues with regulators all over the world. Today we can do it in seconds. The network is there, it’s just invisible”. Regulator</i></p>	
First order	Second order		Response
Ecosystem play	<p>Firm-centric innovation</p> <p>Fixing & streamlining core business</p>	<p><i>“Now Aviva is a 400-year old company, Old Mutual, a 160-year old, Liberty 60. I mean with that amount of time, things just get a mess and so complexity reduction, simplification, big data and when you are trying to dedicate resources towards that, even if you want to have an innovation or a “thinking different agenda”, it requires a very different mindset to fix than to have the freedom to blue sky, so I think companies reaching the maturity or reaching a realisation that you need to fix and simplify was a big driver and rather than innovation”. Incumbent</i></p> <p><i>“Focus is an important word. That’s what I was looking for. So, we have consolidated with a lot of businesses, done away with certain businesses. So, focus and understanding your core is really important now. Incumbent</i></p>	Adapt
Ecosystem play	<p>Pipeline development</p> <p>Experimental collaboration and creative partnering</p>	<p><i>“There’s a three-prong look at how to do that and that is “optimise, diversify and modernise” and what that means is making sure that you touch the businesses with regard to getting those three pillars right. Alphacode fits within the modernise element of it, where we are saying how do we get into new businesses or how do we get a portfolio of businesses that is going to be the next generation of financial services innovation”. Accelerator</i></p> <p><i>“So there was an adversarial start out and as I say as the relationship has matured, and I’m seeing this maturation happening across the entire ecosystem, I see like levels of maturation amongst start-ups, incubators, incumbents, you know, and other players in the ecosystem and I really seeing in South Africa we’re starting to see a coming together that’s going to be hugely beneficial to all players”. Innovation Scout</i></p> <p><i>“It’s gathered pace almost exponentially over the last year. There’s been a big mind shift in most corporates, even VC’s who were a couple of years ago all quite like it’s a zero-sum game, if he wins then I lose, it’s becoming a little bit more collaborative, a bit more inclusive” Venture Capitalist</i></p>	Regenerate

	<p>Reinsurer as ecosystem connector</p> <p>The network effect</p>	<p><i>"I think what has happened and is happening and emerging more and more, is that people are co-collaborating with a particular aspect. So, they've got a technology, a skill or a thought process or whatever and have slotted into an existing business or are being slotted in existing business or co-collaborating with an existing business. And I think that's more likely to be successful. This is a significant difference". Reinsurer</i></p> <p><i>"Sanlam is still figuring it out, when we get regular feedback, quarterly feedback with them, every time their view is a bit different and what they ask us what do, what they want us to do and what they want us to focus on.... So, they don't have a set five-year view and know what each piece has to do. They're still playing around, which is good for us in a sense as it gives us freedom as well to, I think in general with any start-uppy thing, it seems to me that those that are successful didn't start off doing that, you sort of stumbled upon it if you take enough swings. So, the good thing for us is that they give us that freedom to change the recipe and to get closer to something that is valuable in their world". Incumbent start-up</i></p> <p><i>"Both sides are realising as well that they sort of need each other, because centralised innovation doesn't work so all these banks, all these corporates are not closing their internal teams, but they are starting to look much more outward you know. So yes, have a couple of people inside that are accountable for looking and for partnering, but don't try to build it from within, partner invest" Venture Capitalist</i></p> <p><i>"We've got now, I think it's 18 or 19 strategic partnerships with fintechs and insurtechs, who we think have got something to add of value in a particular market or in part of the value chain or somewhere along the line and we will collaborate with those guys.". Reinsurer</i></p> <p><i>"So, reinsurers give you that opportunity to step away from the everyday malaise of working life in the organisation and take the opportunity to listen to some top thinkers in this sphere of innovation and this allows you to start asking questions and that's very beneficial. And for me luckily, I've gone to some of the representatives at those reinsurance companies and sat them down and said, listen this is the problem we have. Can we meet with some of these guys and see if we can uncover a nice solution for our members? In fact, a large portion of our POC's are dealing with entities introduced to us by a reinsurer". Incumbent</i></p> <p><i>"The reinsurers have become a really interesting partner that we've considered looking at just because of where they sit within the ecosystem, the size they are and almost the middleman nature of the insurer, if you look at the where the risk really sits at the end of the day, it's sits with the reinsurer. So businesses like a Swiss Re, Munich Re. as well - are really looking at it globally and say how do we partner with experts locally but also how do we partner with the emerging businesses to develop challenges to their own customers in a way that almost cuts out to the friction that you have in the economy and that's also big global things for finance, insurance and also social networks". Incumbent</i></p> <p><i>"There is definitely more access to people or networks of people. It's circles we haven't moved in in the past, because of where we are at, but that has grown substantially and changed. What we find as well, is once you start doing business with one person, they open up to five or six other people suddenly, because of the networks of their collaborations and their spaces that they work within". Reinsurer</i></p> <p><i>"And a lot of it is due to the fact that there are people coming in this space, are coming from an area that we've not ever been involved in, you know, they are either much more technology driven people which formerly we're just not connected into". Reinsurer</i></p> <p><i>"Just yesterday I got an email from one of my colleagues around the world who worked with us, when somebody approached them with an opportunity which is basically opening up into another 10, 12 opportunities but it's because we're now connected into that network too, the variety of people that we wouldn't even have known about that or else in the past we wouldn't even have seen that". Reinsurer</i></p> <p><i>"Also getting into things like competitions or accelerators, if you say, it's almost like an introduction, these guys have passed the filter of Alphacode, therefore, it's not just some guys off the street with a business idea. So, I think that holds true with any conversation with potential partners that are also in the entrepreneurial world.</i></p>	
<p>Ecosystem play</p>	<p>Innovative multi-actor business models</p> <p>Ecosystem solutions</p>	<p><i>"It's a huge amount of work to make sure that the partners don't step on each other's toes, to make sure that everybody is happy with what they get out of the relationship. It's hugely complex and a requires a huge expensive infrastructure. But it is what we do. So, the partnership with Apple, for instance, has developed into a global thing now. Next week they're actually coming to London with us to present the results of our research on what Apple Watch has just done to make people healthier - because there is no data anywhere else in the world who can prove that. So those relationships become entrenched". Incumbent</i></p> <p><i>"So, Liberty is finally, through Dave Munro's influences, thinking about an ecosystem context rather than a product house context - like health ecosystems, retirement ecosystems, that sort of thing". Incumbent</i></p> <p><i>"The other thing that for us, because we only sell to honours students, that epitomises in their life, is the journey of learning, because they are passionate about learning, or the professionals we want to attract, are passionate about learning. So, we look at those two pillars and say, OK how can we start creating an ecosystem that speaks to learning and an ecosystem that gives you more time in the day?" Incumbent</i></p> <p><i>"The monolithic product strategy is dead... I presented to the board the other day and I was trying to make the point how monolithic product strategies, even if they are digitised, can fail and what I did was I showed them a tape measure, a humble old tape measure, that some company called Stanley. But then I showed them something that Apple had just launched, which was a measuring tool on their phone, and I said to them it actually killed Stanley. The millennials that are coming through now, are not going to reach in the garage to go measure something anymore. What was powerful for me was, it is sitting in the Apple ecosystem, something that people engage with every day, and they use this as this ubiquitous tool and when these ecosystems start solving problems that you do in a very fragmented fashion, they will supplant you very quickly. So, what I'm saying is okay while this is happening out there, how do we start creating an ecosystem that speaks to the needs of a professional?" Incumbent</i></p> <p><i>"You have to find your ecosystem, what are the problems that people are going to come for and then you have to ask yourself a very serious question around, has the dominant design, when Facebook became the dominant design for social networking, there's no place for second place". Incumbent</i></p>	<p>Transcend</p>

Context		Interview extracts	
Separation vs Integration context		<p><i>"The integration part has become more important ... you can't always blend the business of today with the business of tomorrow, without changing something in the business of today, so therefore you have to prove it". Corporate Innovation Hub</i></p> <p><i>"Companies like Liberty set up their own innovation hubs and then tried to in 10 – 15 projects just to go and develop stuff. And always at the heart of that was the way in which you needed to work to make it happen - collaborative, open, creative, feeling relaxed, not corporate structures. And so, all these companies set themselves up separately, in digital garages or in a hub which is located in the corner of the building far away from everyone else. And so, the mixed realization I guess over the last few years has been, it's a conundrum to try and create a space for people to feel comfortable, to be creative but still be able to integrate with the company. So, I think a lot of these garages that have transformed, have realised that the people piece of it is actually more important than the real tech that you're building, it's how do you integrate. Liberty for example has chosen full scale integration so remove all barriers make them report to somebody who looks like everybody else and see how it goes. That's the hard path". Incumbent</i></p> <p><i>"Foundry was built very much outside of the bank, so Foundry is not an innovation hub built within RMB in the sense that we sit in the same building with them using the same systems, it's built externally where we sit outside the place in a different building, we have different systems and we have different processes. So that's been quite a useful thing because it allows for a much higher speed for iteration, because we are not forced to use their systems, you are not forced think the way they think. So, it's both a strength and a weakness, because you're allowed to iterate faster which is great, use different systems and you can do whatever you think is right. At the same time though you're not as visible by business, so when you go into business and tell them this is how you should do something, you get a bit more resistance. Whereas if you were sitting next to somebody and you told them you had a new way of doing something, they might be a little more open to listen. Innovation Scout</i></p> <p><i>"I've spoken to a few CEO's at a conference that really support the idea of separating the legacy. And the legacy teams need to - you stretch them within a different paradigm to be the best at traditional and you set something up on the side which is totally different or you invest in something else, because you need to, as a company to decide how are you going to share economically". Ex-CEO, Incumbent</i></p> <p><i>"So, in the start-up world there's a lot of literature about how you build a start-up.... Whereas trying to build them like in an innovation hub or innovation disruptor within a corporate, is something that's a lot less written about how to successfully do it..." Innovation Scout</i></p> <p><i>"I found exactly same and almost a bigger divide between the traditional business and the legacy issues and then this Fintech world in London, I read the other day that London is the place in the world for starting a Fintech business, from a skills point of view, and the availability of capital, and so forth. I visited one Fintech business there and it was almost like day and night, the difference. It's almost as if these worlds are miles apart, yet they're working in the same industry. So, I guess, although there is so much innovation in the Fintech and the Insurtech world, the legacy issues are massive. There are so many issues and now there's Brexit and there's regulations, so they've got so many other things that keeps their eye off the innovation ball. Anyway, they're grappling with the same things the companies are grappling with here. How do you combine these different worlds and how do you get the innovations from the Fintech world and that entrepreneurial culture and the speed of implementation, the things that the Fintechs tend to get right and how do you incorporate that into the bigger organisation?" ex-CEO Incumbent</i></p>	
First-order	Second-order		Response
Separation vs Integration	Acquiring but not mixing	<p><i>"There's probably a little bit of a mixed bag. They bought about 30% of Easy Equities a couple of years back, which is a genuine tech-based investment platform start-up and then they used the same technology to get behind a SATRIX product. And then with us it was basically, have some funding and see what you can do, and it may work, and it may not work. Then Sanlam are quite keen on buying businesses that are demonstrably working - so they own 50% of Brightrock, for example, which was probably 5 years old when they bought it - basically the economics worked. What they've also done now, they've got this relationship with Plug and Play in Silicon Valley that connects them with start-ups. From what I've seen, it's the same approach that Momentum is taking. Either you going to innovate yourself or get innovation from the outside. So, it seems to me that they are trying both approaches". Start-up</i></p> <p><i>"The insurers are a lot more guided by economics. Is it going to make money, and are you able to prove it? So that's their number one question. So, the innovation arms in insurers typically seem to have a set innovation they want to be focused on and if someone falls into that mandate, then they will pursue those – so an extremely focused and narrow search. It's not like that's innovative, let's pursue it". Start-up</i></p>	Adapt
	Multi-pronged strategies and niche-ing	<p><i>"It is very seldom that you will see an innovation take off in the mainstream business where it's incubated and its actually becomes a successful venture. You have to have a separate entity, or a form, or a place where you create these ideas, test, experiment, get them out and see if you can scale them before they can go into a larger organisation where it starts making sense to incorporate them into the day-to-day operational processes". Consultant</i></p> <p><i>"I think it will be like multi-pronged kind of strategies and it probably will look very different for different companies, but like a combination of investing in start-ups, partnering with start-ups, trying to co-opt them, maybe have strategic alliances and also with companies in completely different industries - that might help them understand consumers better, and through that, provide more value to the users" Venture Capitalist</i></p> <p><i>"It comes back to that thing that it's difficult to change the recipe if you've got a big successful business. I think that's why Sanlam has spun us out of the business, so that they can keep on doing what they are doing well, and that we can try different things". Incumbent Start-up</i></p>	Regenerate

	<p>Corporate pipeline A strong feed of entrepreneurial content</p> <p>Niche-ing Separating and investing</p>	<p><i>“The directive at the moment is very much top down as it is. We obviously want to have PPS as an organisation where we don’t just have fourteen executives as the leaders. We want 2500 leaders in the organisation, people who take agency in their environments, because if they are taking agency in their environment, they will bring some innovations that we will never have come up with”. Incumbent</i></p> <p>Pipeline: <i>“this ecosystem effect, what we’re trying to really focus on and constantly ensuring, is that we are getting new people to feed into the space who are interested in becoming Fintech players because for South Africa that’s one of our bigger challenges, being able to find guys who are going to start a lot of businesses because the stats always say you are going to have one in ten, probably a bit better than that, but let’s say two out of the ten, that succeed. So, you just need a lot more people feeding that pipeline of potential businesses, so that we can discover the really meaningful ones”. Accelerator</i></p> <p><i>“About 3 years now, there was a lot going on in the Fintech environment and at that stage, Fintech was like really out there type of thing and it was happening in the US and the UK, you know, out there, out there, and people are dabbling with payments and people were going to change payments and in that light MMI started looking at really disruptive digital, where the future is going to be, which made us start saying, okay, hold on a second, it’s really going to be a platform ecosystem type of player and what does this mean for us? In the first year we realised that you do come across an ecosystem, you come across people that need an acceleration program, you can’t do anything with them, so you go to an accelerator. And it’s interesting because I think you understand the funnel a lot better but that is high risk, with very little return on investment. And then we said, well venture capital is a good source, when you look at the cycle of the start-up community and what’s coming is an ecosystem. So, you get then to invest in these, you could possibly invest in your next unicorn, plus then you actually get deep insight, but it’s long term. You’re talking about 7–10 years real roll-out. So, we partnered with two funds, because as an insurer we don’t have this capability. And then you have the capability of looking at this ecosystem and the start-up ideas and actually understanding where you can integrate or leverage the different assets and whether could integrate it into this big monster (MMI) and for what use? Incumbent Innovation Hub</i></p> <p>Niche-ing: <i>“It is very seldom that you will see an innovation take off in the mainstream business where it’s incubated and its actually becomes a successful venture. You almost have to have a separate entity, or a form, or a place where you create these ideas, test, experiment, get them out and see if you can scale them before they can even go into a larger organisation where it starts making sense to incorporate them into the day-to-day operational processes”. Consultant</i></p> <p><i>“The last leg is “invest”, where we’re saying a business that is looking like it’s going to be the next Discovery or Outsurance, we want to be able to invest in them and the four businesses in the portfolio at the moment are Luno, Intersect, Merchant Capital and Prodigy Finance”. Investor/Accelerator</i></p>	
<p>Models or approaches</p>	<p>Multi-actor co-creation</p>	<p><i>“I also believe innovation needs to encompass a form of partnership. You can’t solve all the problems of the customer yourselves. It’s being able to understand how you can link what somebody else is doing to something you’re doing and then create something unique”. Incumbent</i></p> <p><i>“So, I think it is because the product itself is different (multi-actor delivery with customer co-creation and shared value), the views are different and that’s behind the success, that creates the discipline of saying that we have to remain ahead of the rest of the market and everything else that’s developing with disruption around it. We have to keep on and staying ahead, we have a great foundation and base off which to do that, because we have so much data and members that we understand what they are doing in a lot more detail than anyone else trying out these things, and that creates a platform then and the discipline to say, every year in September we will go to the market with all our health products. Everybody works towards that”. Incumbent</i></p>	<p>Transcend</p>
<p>First-order</p>	<p>Second-order</p>	<p>Interview extracts</p>	
<p>Sub-strategies</p>	<p>Copy</p> <p>Leverage quick wins</p> <p>Adjacencies</p>	<p>Copy: <i>“A lot of innovation that reinsurers do, including Gen Re worldwide, is actually taking stuff that’s developed in other markets and binging them into a local market. So, people then see you as innovative, but what you’ve done is, dare I say, stolen the idea from somewhere else and infused it somewhere else. I think it’s looking and matching, and I think to a certain extent we do that here. It is the ability to be able to see what is happening elsewhere in the world and being able to apply it here”. Reinsurer</i></p> <p><i>“The “lead innovator” leapfrogged everybody in a sense because they started to understand, by having deep data insights, you can actually create unique value propositions. And I think the industry is starting to cotton on to that, that you need to start building customer relationships that go wider than just you or product interaction. ...I think a lot of the insurance companies are saying, can we have our own version of a “rewards program” that can impact behaviour, and once you impact behaviour, you can create value. ... I think that a lot of what’s going on is a little bit of copy and paste strategy”. Incumbent</i></p> <p>Leverage through quick wins: <i>“I think sometimes the executives, they mean well, but sometimes they are removed from what happens at the coal face and so I have to engage there, make them part of the process. That’s how I try and get quick wins. The journey of innovation is unfortunately not one that can be too couched in theoretical thinking and this guy’s mind is full of all these creative ideas, but two years have gone by and nothing has changed. So, then I have to have a lot of quick wins and when people start seeing quick wins, they start to buy in even more to the underlying thinking”. Incumbent</i></p> <p><i>“We would rather limit to what can we do and launch in three months. So that means you regularly going to the market, you start seeing feedback on what you doing and also sometimes a lot of the things you thought were priorities, once you get these intermediate steps, suddenly this thing that you thought was so important keeps on going down the list, it never reaches one of the top three priorities because these things are just not important and they are not going to give the most value. So, I think we are learning a lot about implementing”. Incumbent</i></p>	<p>Adapt</p>

	Niche-ing	<p>Niche-ing: The last leg is "invest", where we're saying a business that is looking like it's going to be the next Discovery or Outsurance, we want to be able to invest in them and the four businesses in the portfolio at the moment are Luno, Intersect, Merchant Capital and Prodigy Finance.</p> <p>"It is very seldom that you will see an innovation take off in the mainstream business where it's incubated and its actually becomes a successful venture. You almost have to have a separate entity, or a form, or a place where you create these ideas, test, experiment, get them out and see if you can scale them before they can even go into a larger organisation where it starts making sense to incorporate them into the day-to-day operational processes". Consultant</p>	
Sub-strategies	Dynamic Value proposition to change the playing field	<p>"You have to find your ecosystem, what are the problems that people are going to come to you for and then you have to ask yourself a very serious question around who will have the dominant design? When Facebook became the dominant design for social networking, there's no place for second place. So, Liberty is finally, through Dave Munro's influence, thinking about an ecosystem context rather than a product house context. So, they're thinking of ecosystems, like health ecosystems, retirement ecosystems, that sort of thing. So, in the health ecosystem in which Discovery dominates completely. So, you can either be the leader in the ecosystem or you can be a player". Incumbent</p> <p>"I also believe innovation needs to encompass a form of partnership. You can't solve all the problems of the customer yourselves. It's being able to understand how you can link what somebody else is doing to something you're doing and then create something unique". Incumbent</p>	Transcend

