

Taking Creative Destruction To The Edge of Disruption

Ghost written for Peter Sheahan and Julie Williamson, Ph.D.
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Creative Destruction. We've all seen it, sometimes without even knowing it. But what is Creative Destruction? David Letterman's famous "Throwing Stuff Off Tall Buildings" skit? The YouTube™ series called, "Will It Blend?" A biography chronicling the short life and wild times of John Belushi?

Sure, these things represent destruction in creative ways. But Creative Destruction is actually the concept Austrian economist Joseph Schumpeter called the "process of industrial mutation,"¹ the path taken from one way of doing business to another. Companies who lead this process, who've accelerated industrial mutation, are companies who elevate their perspective and discover their edge of disruption. They matter.

What does it mean to matter? It means doing work that creates more value year-over-year for customers, investors, and communities alike. Companies that matter fundamentally change their industries, create new markets, shift customer expectations, and offer new experiences. Blockbuster Video once mattered. Just ten years ago Blockbuster had global revenues better than \$5.5 billion.² The company

¹ Joseph A. Schumpeter, "The Process of Creative Destruction" in *Capitalism, Socialism, and Democracy* (Piscataway, New Jersey: Transaction Publishers, 1942), 83

² <http://www.history.com/this-day-in-history/first-blockbuster-store-opens>

employed millions and provided untold value to customers, shareholders, and communities around the globe by tapping into the growing trend of making movies available for home viewing. First, they offered clunky Betamax and VHS tapes, later DVDs.

After years of success, Blockbuster management concentrated on the Blu-ray-vs-HD DVD™ format debates, set aside extra floor space for evermore oversized candy bars and popcorn buckets the size of above-ground swimming pools, and ignored the ground shifting beneath the very industry they dominated.

Until it was too late.

Netflix, a start-up that Blockbuster refused to take seriously (in 2000, Blockbuster turned down an offer to buy Netflix for a mere \$50 million³), saw the whole board and connected across it to create an entirely new home movie experience. Fast-forward to 2016 and Netflix is the A-list when it comes to home movies. And while they haven't quite solved for how to deliver oversized Twix® bars over the Internet, we suspect they're working on it.

In our most recent book—*Matter: Move Beyond the Competition, Create More Value, and Become the Obvious Choice*—we celebrate companies at the vanguard,

³ <http://www.businessinsider.com/blockbuster-ceo-passed-up-chance-to-buy-netflix-for-50-million-2015-7>

companies with the optimism to go beyond the status quo, step up to their own edge of disruption, and make themselves matter.

Doug Woods, the “D” in DPR Construction, is a prime example of someone willing to take on an industry that has historically been contentious and difficult for all involved. Buyers, sellers, financiers, and suppliers—to name just a few—have all had bad experiences dealing with a General Contractor (GC). When Doug and his partners started their business in Northern California in 1990, they knew everyone says the right things at the beginning of the building process. But once the contracts were signed missed deadlines, deliveries, and payments were the order of the day. DPR was determined to do something different, something that afforded a unique long-term experience for everyone with whom they worked.

First off, they challenged that most basic assumption in business: that any client is a good client and any revenue is good revenue. Instead, they were very selective about the people with whom they chose to work. Second, DPR made a “Vivid Description” part of its core ideology, stating that the partners would make their company as “progressive and influential” in the coming 30 years as Hewlett-Packard had been over the previous 50 years. Finally, DPR was determined to change the communities they served by building great things with great business partners.

The result? 26 years after DPR set up shop, they've become a nationwide concern with multiple awards and revenue in the billions. "The *right* people have been, and always will be, the foundation of DPR," pledges Doug.⁴

North of the border, a company named Lakeside Logistics was founded in Oakville, Ontario in 1986. Lakeside's business was to connect truckers with companies who had goods to move. Jeff Moore found success by forming relationships with low-level traffic managers on the golf course and at his kids' hockey games. A little more than a decade later, however, those relationships were no longer yielding business and Lakeside went with a "low cost" model, which only led to customers asking Jeff to "bid down" even further.

Disgusted with the whole business, Jeff was ready to find the exit ramp. Until he came up with an idea to transform the business altogether. "Take your transportation department from a cost center to a profit center," was what Jeff started telling potential customers. Instead of just partnering with traffic managers for one-way routes (known in the industry as "lanes"), Jeff introduced an elevated perspective and sold Lakeside as the transporter that can handle companies' entire shipping needs. Soon he and his partners began "earning their way into conversations" with higher-level executives, including CEOs, who could see that partnering with a specialized transport outfit would be more time- and cost-efficient for their own businesses.

⁴ <http://www.dpr.com/company/history>

Businesspeople like Doug and Jeff are not timid. They don't settle. The way things have always been done isn't good enough; the way things should be done is the goal. Where the two meet is the edge of disruption and companies that matter pick one over the other. The two simply don't blend.