Leadership challenges and development

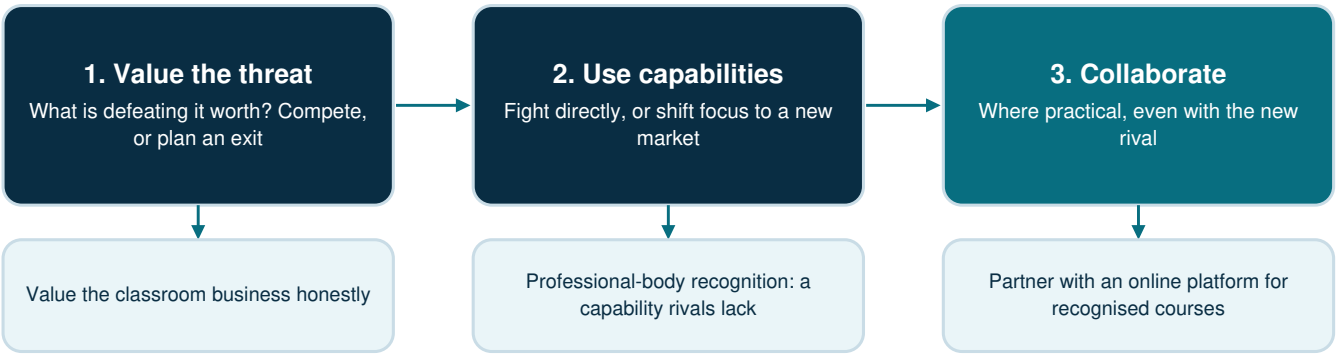
MODULE 7 | 7.6.2 | STUDENT COMPANION

Clayton Christensen saw a tension between running an established business well (listening to customers, building capabilities, investing carefully) and responding to disruptors. With Michael Raynor he argued that resource-allocation processes tuned to improving existing products leave incumbents structurally unable to respond. **Other researchers disagree:** most firms do spot disruption, and many fight it off.

Why incumbents respond slowly

Reason	Imagined example
The threat doesn't touch key customers at first, so it isn't seen as legitimate	A bank ignores a payments app used mainly by teenagers
Protecting existing returns limits how far focus and money can shift	A newspaper keeps funding print because it still earns most of the profit
The innovation needs capabilities the firm lacks	A petrol-car maker without battery expertise
Regulation or other hurdles restrict the response	A licensed taxi firm that can't change its fares without approval

Three steps to meet a new competitive threat (imagined)



Imagined: Larkspur Learning facing online course providers

Managers nearly always respond in line with their capabilities: firms able to adopt or compete with an innovation do so, while those that can't concentrate on earning as much as possible from the existing business while planning their departure.

The start-up's side. Incumbents often dismiss a start-up's market as too small, a serious mistake, since disruption often begins with a foothold in an overlooked segment. The bigger danger for a successful start-up is a heavy response from far richer incumbents, so it looks for what large firms find hard to copy: customisation, exclusivity and other points of difference.

Four conditions for fending off imitation

1. A major strength
The incumbent relies on one big strength for its success

2. A segment it fails
Some customers find that strength works against them

3. Imitation hurts
Copying the start-up would damage the main business

4. Strength surrendered
To compete, the incumbent would have to give up its strength

Only when all four hold is the start-up's offering hard to copy

Stakeholder issues for emerging business models

Some of the world's largest investment funds now push companies towards sustainable, socially responsible agendas, treating good corporate citizenship as part of long-term value.

Issue	Leader's response
A wider range of stakeholders with a legitimate interest	Map them by interest and power (Module 3), and engage early
Unfamiliar models seem riskier	Show evidence of demand, such as early sign-ups or pre-orders
Investors wary of models that may run at a loss for years	Share milestones and the path to profit; seek patient investors
Internal stakeholders unready for change	Explain, train, involve and reward
A workforce that is less and less permanent	Include contractors in purpose, recognition and learning

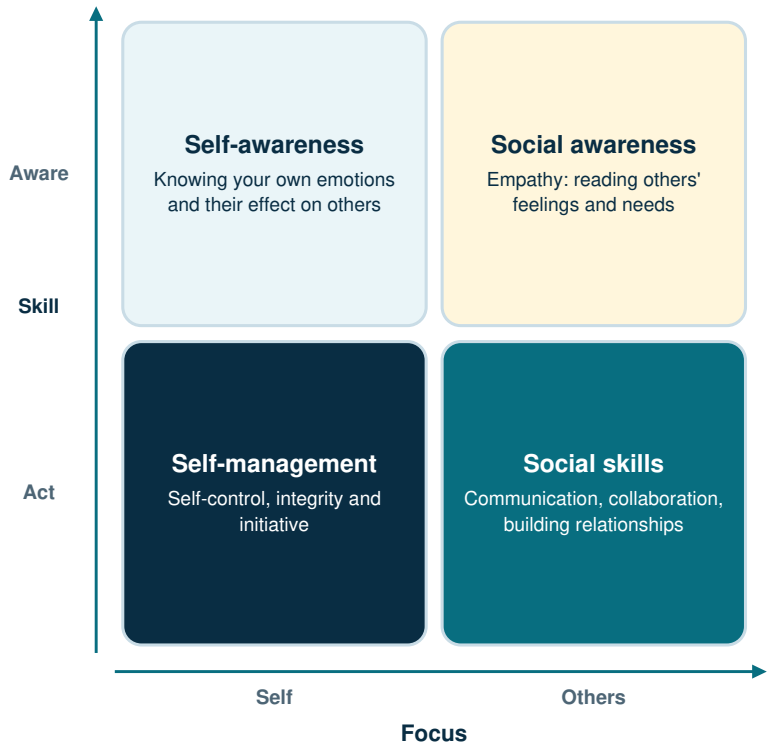
What shapes readiness for change

Organisations need to be adaptable by nature. Readiness rises with training and skills development, and when workloads are lightened to free time for new ways of working. **Larkspur (imagined)** includes its contract trainers in team meetings, recognition and training, so they share the purpose as well as the work.

Factor	Question to ask
Stage of life	Is the organisation young and fluid, or mature and settled?
Attitude to risk	How are failed experiments treated?
Culture	Do people expect change, or resist it?
Social relationships	Do colleagues trust and help each other?
Management and leadership	Do managers and leaders pull in the same direction?
Job knowledge and skills	Do people have the skills the new model needs?

Leaders keep developing. No chief executive can make every important decision, so leaders increasingly guide how the organisation evolves. Gary Hamel saw the leader's job as designing the organisation's social system (structures, ground rules and meaningful work) so that everyone can collaborate, innovate and excel. McKinsey research found two attributes that most set effective leaders apart: openness to different perspectives and the ability to support others. Middle managers are moving from administering and controlling towards acting as entrepreneurs, coaches and team leaders.

The four components of emotional intelligence



Developing leaders

1. **Interpersonal and technical skills, together**
2. **Learning that resembles real work**
3. **Ongoing: microcredentials and coaching**
4. **Network intelligence: learn from many voices**

Making development stick

Principle	In practice
Teach interpersonal skills alongside technical ones	A finance lead practises presenting a budget to sceptical managers
Make learning resemble the workplace	Personalised, social and interactive, ideally at work
Keep it ongoing	Short, assessed microcredentials, with personal coaching
Use network intelligence	Talk with, question and listen to people across the organisation and its ecosystem, not only the most senior

Case note: Warby Parker and Luxottica

Condition	Warby Parker and Luxottica
A major strength	Luxottica owned brands such as Ray-Ban and Oakley, made frames under licence for fashion houses, and ran chains such as LensCrafters and Sunglass Hut
A segment it fails	Price-conscious buyers who wanted stylish glasses without high store prices
Imitation hurts	Cheap direct sales would undercut its most profitable business
Strength surrendered	Competing head on meant bypassing its own stores and brands

In February 2010 four Wharton business-school students launched Warby Parker to sell prescription glasses online from US$95 a pair. Customers could try five frames at home free (a service it ended in 2025), and for each pair sold it distributes a pair to someone in need. It listed on the New York Stock Exchange in September 2021, valued at over US$6bn, had 352 stores by mid-2026, and made its first full-year profit in 2025. Luxottica has been part of EssilorLuxottica since 2018. The incumbent's greatest strength made the newcomer hard to copy.

Sources: Warby Parker S-1 (2021) and results releases (2026); Fortune (June 2025) on EssilorLuxottica.

Practice questions

MODULE 7 | 7.6.2 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - A new threat

TorqueTown Servicing (imagined) runs 80 car-servicing workshops. Electric cars need far less servicing, and a start-up now services electric cars at customers' homes. Apply the three steps.

Step	TorqueTown's response
1. Value the threat	
2. Use capabilities	
3. Collaborate	

Question 2 - Can it fend off imitation?

PaperTrail (imagined) sells simple, flat-fee accounting software for sole traders. The incumbent, LedgerPro (imagined), earns most of its profit from feature-rich software sold through accountants, who charge clients for set-up and support.

Condition	Met? Why?
1. A major strength	
2. A segment it fails	
3. Imitation hurts	
4. Strength surrendered	
Conclusion	

Question 3 - A development plan

Sam (imagined), a strong technical analyst, has just been promoted to lead a team of eight. Team members find Sam abrupt under pressure, and Sam rarely talks with colleagues outside finance. Design a 12-month development plan using the four components of emotional intelligence and network intelligence.

Worked answers

MODULE 7 | 7.6.2 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - TorqueTown Servicing (sample)

Step	Response
1. Value the threat	Estimate servicing revenue at risk as electric cars spread; worth competing for tyres, brakes and electric servicing, while planning to close some engine-heavy sites
2. Use capabilities	A trusted brand, 80 sites and skilled mechanics: retrain mechanics for electric cars and use workshops as bases for mobile vans
3. Collaborate	Partner with, or invest in, the mobile start-up, or become a car maker's approved servicing partner

Question 2 - PaperTrail (sample)

Condition	Answer
1. A major strength	Met: LedgerPro relies on rich features and its accountant channel
2. A segment it fails	Met: sole traders find the features and accountants' fees costly and complex
3. Imitation hurts	Met: a cheap flat-fee product would cannibalise sales and anger accountant partners
4. Strength surrendered	Met: competing directly would mean bypassing accountants
Conclusion	All four hold, so PaperTrail is hard to copy; LedgerPro might still launch a separate brand

Question 3 - Sam's plan (sample)

- **Self-awareness:** 360-degree feedback in the first month; a short journal after tense meetings
- **Self-management:** coaching on staying calm under pressure; pause before replying
- **Social awareness:** one-to-one meetings with each team member to understand their goals
- **Social skills:** a microcredential in coaching and feedback, practised on real team issues
- **Network intelligence:** monthly conversations with colleagues in sales, operations and IT, asking questions and listening
- **Review:** repeat the 360-degree feedback at 12 months