

# Disruptions, Innovation and Business Growth

## Introduction - Drivers of Business Growth in 21<sup>st</sup> Century

Every business aspires sustainable growth, but this often does not come easy. The attainment of growth and a prime market position in the 21st century business landscape demands a well-articulated and religiously executed strategy, which often requires the institutionalisation of the right technology, culture, engaged customer base, necessary alliances and the best people. These factors create an environment that stimulates innovation – which is crucial for survival into the future.

Innovation means creating value from ideas. This value could be commercial value or social value, depending on the context and purpose; from multi-million-dollar 5G-powered microchip, to environmentally friendly cars. In business, innovation often results when ideas are applied by an organisation to satisfy the needs and expectations of the customers. The constantly changing consumer preferences and consumption behaviours have created a “*new era of innovation*”, in which organisations must either innovate or die. This has altered the dynamics across virtually every business sector and will shape business models for decades to come. Putting figures to this, a 2017 PwC survey reports that 60% of 1,379 chief executives believed their sectors have been changed or reshaped, whilst 75% expects to see their market disrupted by the year 2022. Businesses that desire to win in the future must be prepared to shape it – through innovation, today.

Technology has invoked a new era of innovation. Advancements in computing, Artificial Intelligence, Machine Learning and analytics have led to quantum leap in robotics, analytics, genomics and nanotechnology, spurring innovation in industries like energy, manufacturing, medicine and financial services. The world is witnessing the Fourth Industrial Revolution driven by advancement in computing, machine learning and analytics. In the financial services sector for instance, banks leverage digital banking to compete on the nature of innovation that can provide real-time solutions, handle and predict customer behaviour in an incredible fast manner, and deliver best customer experience. This is just the beginning as technology continues to redefine possibilities in banking. The possibilities of billions of people connected by mobile devices, with

unprecedented processing power, storage capacity, and access to knowledge, are unlimited. And these possibilities will be multiplied by emerging technology breakthroughs in fields such as artificial intelligence, robotics, the Internet of Things, autonomous vehicles, 3-D printing, nanotechnology, biotechnology, materials science, energy storage, and quantum computing.

### **Innovation and its Disruptive Characteristic**

Disruptive innovation has been established as a powerful way of thinking about innovation-driven growth for entrepreneurs, business executives and value-driven organisations. An innovation becomes disruptive when it displaces established market leaders. According to Clayton Christensen, a Harvard professor and the originator of the term in the 1990s, *“Disruptive Innovation describes a process by which a product or service initially takes root in simple applications at the bottom of a market—typically by being less expensive and more accessible—and then relentlessly moves upmarket, eventually displacing established competitors.”*

Disruptive Innovations are NOT breakthrough technologies that make good products better; rather they are innovations that make products and services more accessible and affordable, thereby making them available to a larger population. Thus, disruption occurs when disruptors deliver the performance that incumbents' customers require, while enjoying the advantages they got from their initial success. An innovation is not disruptive until the product or service is purchased in volume by the upmarket thus changing the taste and system of the existing market. It should be noted that disruptive innovation is not only for new entrants; an established firm can also be a disruptor through reaffirming its position as a market leader in its market – through innovation.

Examples of disruptions witnessed in the last three (3) decades are Netflix, Airbnb and arguably Uber; which have fundamentally disrupted the market dynamics of video streaming, hospitality and transportation sectors respectively. Netflix was launched on April 14, 1998, as the world's first online DVD rental store, but today it currently serves over 145 million streaming subscribers around the globe, with a gross revenue of US\$15.794 billion (2018). Airbnb, in 2008, started as a website that offered short-term living quarters, breakfast, and a unique business networking opportunity for city dwellers/visitors, but today serves a worldwide market, with revenues at \$2.6 billion

(2017). Uber's disruptive technology has placed the 10-year old company in nearly 600 cities worldwide, and with a valuation of nearly \$70 billion. These are few examples of how much disruptive innovation can lead to growth and economic value.

### **How will innovation and disruption impact business and economic growth in Nigeria?**

Disruptive innovation creates new goods and services; and increases accessibility and affordability of value for a much larger population. As business leaders, we must know that as we position for the inevitability of the Fourth Industrial Revolution, the riskiest and most dangerous thing to do as a leader is to resist the need to innovate. Indeed, the various challenges confronting us as a people today – from infrastructure, to healthcare, education, logistics amongst others are clear invitation to innovation and disruption, which is clearly inevitable, and could happen in unprecedented manner.

For **businesses**, the acceleration of innovation and the velocity of disruption is taking wide swipe on virtually all value chains, yielding long-term gains in efficiency and productivity. Clearly, the technologies that underpin the Fourth Industrial Revolution are having a major impact on ways of serving existing needs on the supply side. Companies now have access to global digital platforms for research, development, marketing, sales, and distribution. On the demand side, the abundance of information, transparency, consumer engagement, and new patterns of consumer behaviour (driven by access to mobile networks and data) compel companies to adapt the way they design, market, and deliver products and services. A key takeaway for business executives is that the emergence of global platforms and other new business models means that talent, culture, and organizational forms will have to be rethought. We must deliberately, relentlessly and continuously innovate.

For the **government**, tech-led disruptive innovation will increasingly enable citizens to engage with governments, voice their opinions and coordinate their efforts. It also would change their current approach to public engagement and policymaking, necessitating that the government gain new technological powers and accumulate capabilities in terms of pervasive surveillance systems and the ability to control digital infrastructure. The government would have to embrace a world of disruptive change, subjecting its structures to higher levels of transparency and efficiency in policy

formulation, implementation and oversight. By implication, the government and regulatory agencies must collaborate closely with businesses, technology companies and the civil society.

For the **people**, disruptive innovation is already affecting our sense of privacy, our notions of ownership, our consumption patterns, the time we devote to work and leisure, and how we develop our careers, cultivate our skills, meet people, and nurture relationships. Innovation gives '**more**' to the people. This is why in Access Bank, we are guided by a new business philosophy – **more than banking**, in which we go beyond boundaries to offer bespoke financial and lifestyle services to over 29 million customers across 12 countries through innovations in digital banking, artificial intelligence and analytics.

### **What should we be worried about?**

Innovation and disruption in recent time has raised critical concerns that people, businesses and governments must deal with, particularly considering the inevitability of more 'disruptions' in the near future. To do this, we must develop a comprehensive and globally shared view of how technology is affecting our lives and reshaping our economic, social, cultural, and human environments. Scholars have raised fears that the Fourth Industrial Revolution may indeed have the potential to "robotize" humanity and thus to deprive us of our heart and soul; hence, a call for creativity, empathy and stewardship as pillars to lift humanity into a new collective and moral consciousness. In Nigeria and elsewhere, businesses must deal with the following to make the most from innovation and disruption:

- **Competition:** Businesses and organisations must accept the reality of changing competitiveness frontiers and compete healthy and ethically in the best interest of all. New technologies and business models will arise that will profoundly affect the functioning of existing industries. Whilst we must protect and grow our individual market share, we must ensure that we compete on the frontiers of technology, efficiency, customer experience and value. The authorities must also position to redefine and guide all players using best competition advocacy.
- **Intellectual property rights:** Nigeria must very urgently deal with the challenges of intellectual property protection to maximise the growth potential of innovation. All stakeholders must collaborate and push for reforms of the legal

frameworks for protecting intellectual property rights in Nigeria. Without this, it will be tough harnessing talents and inventions for economic growth.

- **Costs of doing business:** The country must deal with the high cost of doing business – from poor infrastructure, business registration hurdles, multiple taxation, bureaucratic bottlenecks, amongst others. Nigeria currently ranks 146 amongst 190 economies in the 2019 World Bank’s ease of doing business ranking. We must do more to encourage start-ups and established businesses run profitable establishments.
- **IT Security:** Information security and the challenges of protecting customer’s information online against cyber-attack remain a major threat that could erode customer’s confidence. We must invest in preventing unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of information or data, in all forms.

## **Conclusion – Positioning Nigerian Insurance Sector for the Future**

In 2016, the Nigerian insurance industry generated approximately US\$58.4 billion in Gross Premium Income (GPI) despite a low penetration rate of 0.45% (Kenya -2.7%, South Africa -16.99%). With only 1% of Nigerians holding an insurance policy, there is clearly an untapped opportunity in the country.

It appears the Nigerian insurance sector has started experiencing disruptions as Insurtech start-ups leverage technology to take advantage of the opportunities in the sector to gain market share and pursue growth. In 2014, *AutoGenius* which [was launched](#) by Venia Technologies allows users to buy auto insurance online, working with traditional insurance companies to shape user experience. Similarly, *CompareIN* which was launched in 2015 allows users compare and buy an insurance policy online. Also, *Cassava* allows individuals make small weekly and monthly insurance subscription payments via debit card or USSD.

How do we position our insurance sector to sufficiently and efficiently provide coverage to innovative and growth-elastic sectors in Nigeria? Below are my thoughts on the top three (3) to-dos:

1. **Recapitalisation:** Relative to the size of the Nigerian economy and the opportunities it offers, the insurance sector needs serious capitalisation to increase its capacity to underwrite transactions in sectors such as the oil and gas, marine, aviation, technology, etc. Early this year (May 21, 2019), NAICOM raised the minimum capital for the insurance industry by over 200%. Whilst this will go a long way towards repositioning the Nigerian insurance sector in terms of product offerings and customer experience, the sector must grow big enough to provide cover for huge exposures.
2. **Strategic Alliances and Partnerships:** With the advent of innovation, traditional insurance companies must partner with upcoming insurtechs so as to explore the technological and growth opportunities therefrom and give customers better and more innovative product offerings. Claim verification processes must also be reviewed to foster trust. Partnership with the Banks for viable **Bancassurance** opportunities is also a formidable route to growth.
3. **Insurance Penetration:** Insurance companies should make more use of the new media and 'digital' to deepen insurance at the **retail** segment of the market. Furthermore, the need for the implementation of a robust compulsory insurance policy cannot be overemphasised.

## End Note

Today, businesses and economies compete in a networked world in which the key to competitive advantage is no longer the sum of all efficiencies, [but the sum of all connections](#). Strategy, therefore, must be focused on widening and deepening linkages to [access ecosystems of technology, talent and information](#). Today's decision-makers must let go of the traditional linear thinking of change and think strategically about the forces of disruption and innovation shaping our future. Innovation is our new reality.

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