Market rebels and radical innovation

In this adaptation from Hayagreeva Rao’s book, he explains the role of activists in making or breaking new markets, products, and services.

Hayagreeva Rao
Activists who challenge the status quo play a critical but often overlooked role in both promoting and impeding radical business innovation. Their importance stems from the very nature of innovation, which frequently challenges existing interests, norms, values, social practices, and relationships. As a result, the joined hands of market rebels—activists and their recruits—have with surprising frequency exerted significant influence on market acceptance of breakthrough products and services.

For example, nearly all of the technical aspects associated with personal computing were available by 1972, but the PC didn’t take off until a few years later when hobbyists, rebelling against centralized computing, organized groups such as the Homebrew Computer Club. These clubs were spawning grounds for actors—such as inventors, founders of companies like Apple, and developers of programs and games—who collectively established the market for personal computers and eventually stimulated the entry of larger companies. Similarly, the hybrid car succeeded partly because market rebels in the environmental movement paved the way by arousing collective enthusiasm for “green” causes among consumers and regulators.

By contrast, radical innovations (such as the Segway personal transporter) have often floundered because their developers overlooked the social and cultural mobilization needed to excite their targeted consumers. More striking, the deaf rights movement slowed adoption of the cochlear implant—thought of by its makers as a cure for deafness because children who used it could more easily acquire language skills—by painting it as an innovation that presaged the loss of sign language and the destruction of the deaf community. In France, for example, a deaf coalition called Sourds en Colère (Deaf Anger) organized demonstrations against doctors who promoted cochlear implants.

These examples and many others hold valuable lessons for executives pursuing innovation. The costs to consumers of adopting such innovations are high because adopters have to topple existing conventions. Stimulating collective endeavors that initiate social change can be a critical part of reshaping markets.

To do so, companies must understand how market rebels forge a collective identity and mobilize support. Crucial for many activists is articulating a “hot cause,” which arouses emotion and creates a community of members, and relying on “cool mobilization,” which signals the identity of community members while sustaining their commitment. Companies also can boost their odds of harnessing the power of collective action by employing the right tactics, such as emphasizing two-way communication with consumers. Above all, a mind-set shift is needed: managers hoping to foster and encourage the
diffusion of radical innovation need to start thinking like insurgents. Those who do so are likely to become more effective at influencing their own organizations too.

**Hot causes and cool mobilization**

Activists face a conundrum: should one concentrate on changing beliefs first or modifying behavior first? Hot causes and cool mobilization help to address this issue. Hot causes mobilize passions and engender new beliefs, and cool mobilization triggers new behavior while allowing new beliefs to develop. Together, they foster the development of new identities and the defense of old ones.

By hot causes I mean those that inspire feelings of pride or anger. These emotions can be critical for overcoming another important challenge activists face: arousing to action individuals who are usually busy, distracted, uninvolved, or apparently powerless—and therefore reluctant to invest time and energy. A classic example is the quality movement that transformed the American automobile industry in the 1980s. One could have expected quality improvements to be undertaken by companies as a result of normal profit incentives. However, American automobile producers overlooked quality and initially disregarded Japanese innovations concerning quality circles. It was only after a threat was named—the death of the American automobile industry—that quality activists were able to mobilize support for quality institutes and initiatives.

Like hot causes, cool mobilization activates emotion and enables the formation of new identities, but it does so by engaging audiences in new behaviors and experiences that are improvisational and insurgent. The origins of the word cool can be traced to jazz musicians revolting against the legacy of Louis Armstrong, who had become synonymous with “hot jazz.” I use the word here to capture the insurgent and improvisational dimensions of the jazz of such rebels as Charlie Parker, Dizzy Gillespie, and Miles Davis. The key to cool mobilization is engaging audiences through collective experiences that generate communities of feeling, in which audience members don’t just have their emotions roused but encounter what literary critic Raymond Williams has called “social experiences in solution.” Consider the recycling movement, which seeks to promote sustainable use of resources and rests on the daily ritual of carefully segregating glass, plastic, and paper so they can be put to later use.

Together, hot causes and cool mobilization power collective action, and collective action creates or constrains markets. Hot causes intensify emotions and trigger new beliefs. Cool mobilization also evokes emotion, but it does so
by engaging participants in new collective experiences that transform beliefs. Hot causes are highly defined, and their definitions give them emotional resonance. Cool mobilization is less clearly defined and requires conscious participation—indeed, participants have to “fill out” the experience through their actions and experimentation. Both underlie the formation of new identities.

In the personal-computing movement, the hot cause was the tyranny of the central computer; the sources of cool mobilization were hobbyist clubs and, arguably, the PC itself. In the deaf rights movement, the hot cause was the cochlear implant—billed as a tool of cultural genocide. The cool mobilization came from deaf rights groups that used unconventional techniques—such as performing mime skits depicting French doctors performing operations on blood-covered children—to arouse public interest.

**Market rebels in action**

The joined hands of market rebels can make or break radical innovations by exploiting hot causes and cool mobilization in many of the markets that affect our daily lives. It’s easy to forget as we drive cars, drink beer, and take medicine that these markets have been shaped by social movements.

**Rebels in new markets: Cultural acceptance of the car**

The car, a radical invention that promised to transform the experience of transportation, was an extremely hot cause. In 1895, when the automobile industry was just beginning, the gasoline-powered car was poorly understood, notoriously unreliable, and reviled by vigilante antispreading organizations. Colonel Albert Pope, a bicycle manufacturer who went on to make electric cars, could not fathom why anyone would use gas-powered ones, asserting, “You can’t get people to sit over an explosion.” And a lawmaker in Massachusetts suggested that motorists fire Roman candles at approaching horse-drawn carriages to warn them of the arrival of the car.

Yet as early as 1906, commentator Frank Munsey noted that the “uncertain period of the automobile is now past. It is no longer a theme for jokers, and rarely do we hear the derisive expression, ‘Get a horse.’” Henry Ford is widely regarded as the man who established the automobile industry by automating production and driving down prices so the car could reach the masses. But it wasn’t until 1913 that Ford installed the moving assembly line in Highland Park, Michigan, to produce the Model T—long after the car became taken for granted. What’s more, Ford benefited from laws licensing drivers and mandating speed limits—and he didn’t lobby or otherwise agitate for those rules.
Ford didn’t need to, because a social movement powered by automobile clubs comprising car enthusiasts played a central role in legitimating the automobile and presenting it as a modern solution to the problem of transportation. These enthusiasts (primarily doctors and other professionals) were rebels who flouted convention, abandoned the horse-drawn carriage for the automobile, and sought to popularize its use. Neither sponsored nor financed by car manufacturers, the clubs were both social in nature and focused on improving quality, shielding car owners from legal harassment, and promoting the construction of good roads. Club involvement enabled members to construct an identity built around a new consumer role. By 1901, 22 clubs had mushroomed in cities from Boston to Newark to Chicago.

In addition to working with state governments to draft laws licensing cars and mandating speed limits, automobile clubs organized reliability contests that pitted cars against one another in endurance, hill climbing, and fuel-economy runs. Each contest—a cool mobilization if there ever was one—was widely viewed as a test that proved to audiences that the automobile was reliable. The first reliability contest was in 1895; by 1912 the contests were discontinued because organizers recognized that the automobile had become a social fact.

Even Henry Ford needed to win a race in order to achieve the transition from engineer to entrepreneur. In a celebrated 1901 race, Ford, then an upstart producer, defeated the better-established Alexander Winton. Ford’s wife, Clara, later described the scene after Ford took the lead in a letter to her brother, Milton Bryant: “The people went wild. One man threw his hat up, and when it came down, he stamped on it. Another man had to hit his wife on the head to keep her from going off the handle. She stood up in her seat . . . screamed, ‘I’d bet $50 on Ford if I had it.’” The public acclaim that Ford received enabled him to create the Ford Motor Company in 1903.

Rebels in established markets: Microbrewing

September 26, 1997, was a watershed day in the history of the modern brewing industry in America: the Institute of Brewing Studies announced that the number of breweries in the United States exceeded those in Germany. In comparison to the 1,234 breweries in Germany, the United States boasted 1,273 breweries, and of them 1,250 were microbrewers—up from 8 in 1980.

Why did microbreweries start proliferating in the 1980s? An important piece of the puzzle was the legalization by the US Congress of home brewing, on February 1, 1979. This legislation legitimated a movement that had been gaining steam for several years. By 1984, the American Homebrewers Association had 3,000 members and its goal was to democratize the production of beer. It assailed the stranglehold of the leading US beer
producers. Their “industrial beer”—disparaged as thin and overcarbonated—was the hot cause of the microbrew movement.

In addition to exacerbating discontent among beer aficionados about the lack of choice and the dearth of fresh, tasteful beer sold at bars, restaurants, and other gathering places, the home brewing movement educated consumers about traditional beers and artisanal techniques. Brewing, frequenting brewpubs, and attending beer festivals became forms of cool mobilization. In 1982, Bert Grant opened the first brewpub (which both brewed and sold beer and served food on its premises), in Yakima, Washington. That same year, the Great American Beer Festival drew about 40 brewers and 700 beer enthusiasts.

The passion to make tasteful beer with traditional artisanal techniques induced more microbrewers and brewpub owners to enter the industry. Their spirit was exemplified by Bob Connor of the Independence Brewing Company, whose billboard read: “Independence—enjoy it while it lasts.” As Anchor Brewing owner Fritz Maytag put it in an interview, “The more breweries there are, the more it will help all of us. We are like bacteria in a bottle. Alone we mean nothing, but if there are a lot of us, we can make a difference.” The number of new microbreweries and brewpubs increased in tandem: microbrews and brewpubs legitimized each other and enhanced each other’s cultural acceptance.

By 1994, close to 500 establishments were part of the $400 million craft beer movement in the United States. Although microbrewers crafted more than two million barrels of beer, their revenues were much lower than those generated by Michelob Light. Microbreweries and brewpubs weren’t about volume: they were an expression of a new identity, one premised on small-scale, authentic, and traditional methods of production, and fresh beer with myriad tastes.

Rebels in opposition: Biotechnology commercialization

In 1972, Germany’s Federal Research Ministry established a national biotechnology laboratory to promote research. By the early 1980s, Germans were applying for more biotechnology patents than Americans were. However, by 1990 German pharmaceutical companies either had plants sitting idle (like Hoechst AG’s $37 million facility in Frankfurt) or had delayed construction of new ones. Meanwhile, 75 percent of German biotechnology investments flowed past German borders, especially to the United States. BASF established a lab in Massachusetts; Bayer and Henkel targeted California. What happened?

For starters, German anti-biotech activists made their cause a hot one by depicting biotechnology as a Faustian bargain that risked resurrecting Nazi eugenics and genetic discrimination. This emotional appeal enabled a small
group of core activists to recruit a wide range of allies and sympathizers such as workers within pharmaceutical companies, schoolteachers, neighbors of scientists, church groups and leaders, politicians across the political spectrum, and part of the scientific community.

By reducing biotechnology to genetic engineering and connecting it to Nazi eugenics, the antibiotech activists made biotechnology a matter of basic principles and a technology imbued with “incalculable risk,” a term borrowed from the parallel debate about nuclear energy. As early as 1984–85, a parliamentary commission entrusted with writing a report on biotechnology titled it, “Opportunities and Risks of Genetic Technology.” By contrast, the Office of Technology Assessment in the United States released a report titled “Commercial Biotechnology,” which reviewed the economic prospects of the technology and how the federal government could support the industry.

At the same time, activists in Germany fostered cool mobilization. To arouse public concern, they held protests at large physical structures, such as corporate fermentation plants, rather than small university laboratories. Protests and marches often were local exercises, and activists staged dramatic spectacles to garner TV coverage and make the dangers of biotechnology more vivid: headless chickens strutting before demonstrations, disabled protestors holding signs against reproductive genetic screening, and deformed mutant mice in animal-testing cages. Emotion-laden tactics left the pharmaceutical companies reeling because they relied on a strategy of presenting “facts.” As one public relations veteran confessed:

*I went to a panel at the nearest high school with a Green member of the state parliament. There were 500 people in attendance and it was packed. I was winning the argument, and suddenly [my opponent] started to scream and cry. So I said to her, “Don’t you think we should stop being so emotional and be more objective about this?” At that point a 50-year-old lady in the audience stood up and said, “Are you only a brain or do you actually have a heart in this issue too?”*

The challenges and delaying tactics of activists created uncertainty regarding both the future of regulation and the speed with which companies could bring products to market, effects that had serious implications for likely returns on investment. As one executive noted, “The question often was, ‘Why spend money on this biotech thing, where we may make some money in ten years or not, when we could spend it on a chemical product or a product line extension, where we can make money within two or three years?’” By shaping the terms of this debate, market rebels inhibited biotech commercialization efforts in Germany.
Thinking like an insurgent

Social movements represent a double-edged sword for companies. Capitalizing on preexisting movements can create enormous opportunities. Nike, for example, owes its early success—indeed, its existence—to the running movement powered by Oregon track coach Bill Bowerman and doctor Kenneth Cooper (who pioneered aerobics) to athletes like Frank Shorter and to a network of running clubs that dotted the country.

But social movements also pose threats. The antitobacco movement drew on a coalition of health researchers and attorneys who played a central role in placing restrictions on the market for cigarettes. Similarly, the organic-food movement, which emphasizes an alliance between environmentalists and proponents of locally available foods, has created a formidable challenge for food companies purveying standardized products.

The challenge for managers is to start thinking like insurgents, which for many will require effecting a serious mind-set shift. As the examples below emphasize, executives who are able to do so boost their odds not only of shaping market acceptance of innovative products but also of stimulating radical change, when it is needed, inside their own organizations.

From deliberate cognition to automatic cognition

Many managers rely on deliberate cognition—that is, the ability of the human mind to process and analyze information—and an appeal to reason. By contrast, insurgents realize that audiences rely on automatic cognition, or shortcuts, to make sense of the world. Hence, they use symbols to communicate their point of view. Nissan’s Carlos Ghosn employed this approach when he took over the dispirited company. Ghosn initially spent two months walking the halls. He found that while line workers knew how long it took to build a car, they did not know how much it cost to build a car. And he was shocked when he asked Nissan dealers, “Who’s your biggest competitor?” to hear their answer: “The Nissan dealer down the street.”

Such findings convinced Ghosn that far-reaching social and emotional mobilization was necessary to turn Nissan around. The first change he made, therefore, was symbolic: English would be the company’s language. It was a shock to the whole organization, and Ghosn’s way of seizing neutral ground. He wanted to signal that Nissan was a global company—not a French or Japanese one—and to highlight transparency: no interpreters, no translation. Soon all employees received a small dictionary that defined key terms like “target” and “performance.” The point was to make being a global company more than just
rhetoric. The introduction of English was the first step in a social movement to restore pride and innovation at Nissan.

From information to emotions
Managers believe in disseminating information. Insurgents realize that emotions of pride and anger are essential to “unfreeze” and move inert organizations forward. One organization that has used emotion to effect change is Gujarat Gas (an affiliate of British Gas), which supplies gas services to a small city in India. The managing director wanted to make the organization into a customer-focused enterprise, but it was a group of activists—young, mid-level managers with a fierce commitment to change—who led the charge. They believed that being responsive to the customer didn’t mean doing something to a customer, it meant doing something with customers.

To persuade others, they made employees go through the experience of being a customer. The employees were sent outside the company office and learned when they sought to visit the office that they had to run a series of gauntlets: first, the sentry at the gate who interrogated them and made them wait; then several clerks delayed things. Who played the role of the sentry and clerks? Customers! Following the role play, employees and customers came together in a large room, and all 400 narrated their experiences. Articulating these experiences amplified the moral shock felt by employees—the shock of self-recognition.

From one-way to two-way communication
Many managers prefer one-way communication; thus, they organize road shows and town hall meetings in which they unveil PowerPoint presentations. Insurgents rely on two-way communication. They reverse the structure of the town hall; the audience asks questions and becomes engaged. Managers can try this online through “jams,” or giant conversations. IBM has had several online jams featuring thousands of employees. In the Values Jam, 320,000 employees weighed in over a 72-hour period. The values that emerged—dedication to clients, innovation that matters, and trust—gained currency because they were crafted through mass mobilization, rather than being chosen and transmitted by executives.

From roll-out to WUNC
Most managers are concerned with rolling out a change and preoccupied with overcoming resistance to it. Insurgents go where there is energy and are concerned with drawing in people. By getting their audiences to do things collectively, insurgents sustain emotion and foster worthiness, unity, numbers, and commitment (WUNC—a term coined by Charles Tilly to describe the
source of strength for social movements). Feelings of worthiness and unity, along with large numbers of committed members willing to take collective risks, are essential if a movement is to have impact.

Consider PSS World Medical, a company that provides medical supplies to physician practices through its network of drivers and warehouses. It believes in open-book management and recognizes that employees “fire” bosses by disengaging emotionally from the business. When it acquired a company called Taylor Medical in Dallas, Texas, the PSS World Medical manager in charge of integration, Gary Corliss, asked Taylor employees to join him for an all-hands meeting to discuss PSS values. The first question he asked employees was, “Tell me everything you hate here.” As he suspected, they pointed to cameras that the Taylor warehouse manager had installed to monitor employees and deter theft. Corliss, who had walked into the meeting with a baseball bat, smashed the camera, and invited others to do the same (with a blanket to protect them from shards of glass). Employees then destroyed the cameras. This cathartic act enabled them to express pent-up emotions and have a conversation about cultural change. Within six months, turnover—which had been a problem—fell to zero.

Market rebels aren’t Molotov cocktail–throwing World Trade Organization (WTO) opponents. They are groups of individuals who together shape markets through hot causes, which arouse emotions, and through cool mobilization, which allows participants to realize collective identities. Executives that understand the roles and practices of market rebels are more likely to be successful innovation leaders.

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Notes


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