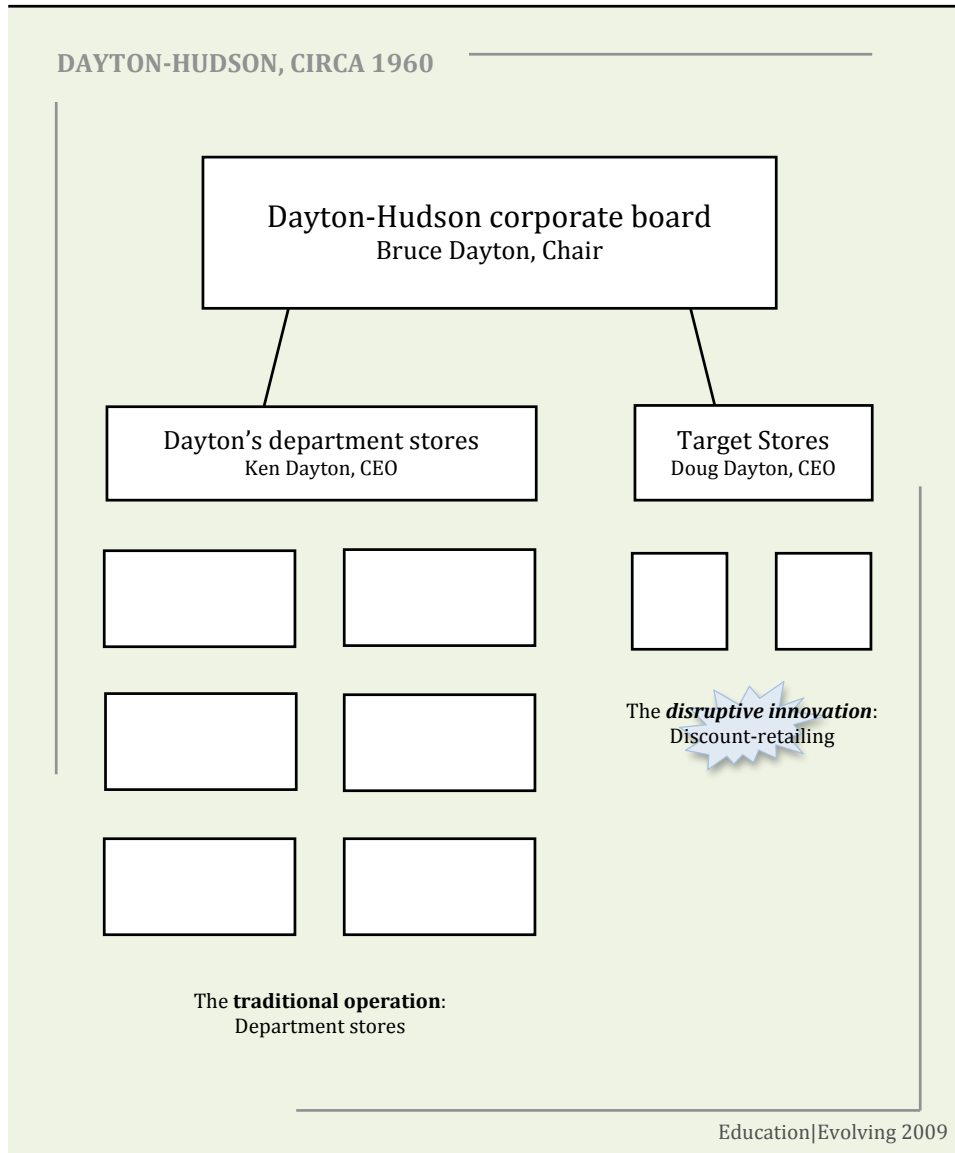


The 'Target model' for managing disruptive innovation.

How Dayton-Hudson became the only department store in America to successfully transition to discount retailing.



Autonomy for start-ups, for innovations, is important. Essential.

Harvard Business School professor Clayton Christensen argues an approach to innovation that is as prescient for education as it is for industry. To facilitate serious change, he has found, large and complex organizations may find it best to create a new organizational space that is both within the company, yet independent from existing cultures and processes.

The idea is that there are times when the foundations of an industry shift, usually due to the introduction of new technologies. Buggies did not become automobiles, they were replaced by automobiles. The railroads did not transform into airlines, they were usurped by them. Typewriters did not evolve into computers, they were overtaken by them.

It can be exceptionally difficult for the managers of one technology to continue to serve their present customers while also innovating to get out ahead of future interests—a customer base that may not yet exist. The pressure is to spend limited resources on current demand.

“When disruptive change appears managers...actually need to run two businesses in tandem, one whose processes are tuned to the existing business model and another that is geared toward the new model.”

Here is an example from retailing, and the experience of Minnesota’s Target Corp:

The five Dayton brothers had taken over the family’s large and successful, high-class department store in downtown Minneapolis in the 1950’s. They saw the region growing beyond the old city. They responded by opening department stores in the suburbs. Then at a convention about 1958 they heard a discussion about ‘discounting.’

Talking about this afterward they found discounting unattractive in some respects. But attractive as well. In 1960 they went into discounting—by creating a wholly-owned subsidiary, Target Stores. Douglas Dayton became its CEO. Two stores opened in 1962. They were immediately successful.

Quickly the department store group was complaining about Target cutting into its business. “But I didn’t report to Ken” (his brother, who headed Stores), Doug Dayton says. “I reported to Bruce as chair of the corporate board.” Of all the department store groups in America—some 300—only Dayton-Hudson made the transition successfully into discount retailing. Today the whole corporation bears the name Target.

The same holds for education. Much as the upstart Target Stores were able to grow and expand free from resistance from the department store executives (*You’re stealing our business!*), innovative public schools will need to have their own protected space where they can develop independent of interests that may not have incentive to see them succeed. **Under this model, innovation zones should report to the district board of education, not the central administration—which, structurally, is more akin to the depart stores. It is the district board that is charged with overseeing all options, providing the best schools possible, without favor for any particular organizational space.**

Sections excerpted from *Creating the Capacity for Change* (Kolderie 2005)
¹*The Innovator’s Prescription* (76)