The Appearance of Elegant Disruption

Theorising Sustainable Luxury Entrepreneurship

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This paper draws upon theories of disruptive innovation to propose that disruption in the luxury sector is beginning to occur due to the efforts of sustainable luxury entrepreneurs. Creative destruction is typical in most industry sectors, including luxury, and disruptive innovation by entrepreneurs is key to that process. The paper proposes that the current time is potentially disruptive for incumbent luxury brands and groups, due to five key trends that are beginning to re-frame the markets that luxury brands sell to. On the basis of five years of engagement with the industry, and 'appreciative inquiry' to understand the motivations, approaches and successes of sustainable luxury entrepreneurs, the authors develop a theory of 'elegant disruption'. That is, a well-designed intervention in markets that both uses and affects aspirations in ways that change patterns of consumption, production or exchange, for a positive societal outcome. They profile four sustainable luxury entrepreneurs from USA, UK, Philippines and South Africa, which typify aspects of an elegant disruption approach. In so doing, the paper argues that an assumption that disruptive innovations always start by providing cheaper options does not reflect the way potentially disruptive innovations are occurring in sectors like luxury.

- **Disruptive innovation**
- **Creative destruction**
- **Elegant disruption**
- **Sustainable enterprise**
- **Social enterprise**
- **Social entrepreneurship**
- **Luxury**
- **Upcycling**

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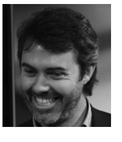

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Electric vehicles have had an image problem: golf buggies, milk vans, or eccentric tricycles were not attractive. Yet finding replacements for hydrocarbon-fuelled cars is a key sustainability challenge. How could this image problem be addressed? The *Tesla Roadster*, an all-electric sports car, was launched in 2006. It can rocket from 0 to 60 in four seconds. Actor George Clooney and former California Governor Arnold Schwarzenegger were among the first to place orders for the US$98,000 car. Within 5 years the company had delivered more than 1500 Roadsters in over 30 countries. At the 1.618 sustainable luxury fair in Paris, one of your authors was able to sit in a *Tesla* because the owner of the car was so supportive of the company that he lent the car back to *Tesla* for a week so it could go on display. Most people would not lend their cars back to the company that made them. Clearly *Tesla* tapped into something unusual, and there are lessons for the luxury industry, sustainability and innovation.

By targeting the luxury segment, *Tesla Motors* built a famous international brand from nothing in a couple of years. The amount of electric luxury vehicles on show at the Geneva car show in subsequent years suggests it made an impact in the luxury car industry already. *Rolls Royce*, for instance, issued a prototype Phantom Electric at the Geneva 2011 car show, to gain customer feedback (Madslien, 2011). It even led to one entrepreneur deciding to re-launch the *DeLorean* sports car in 2013 as an all-electric vehicle. 'Once we saw *Tesla* do it with the Lotus we thought we could do it with the *DeLorean*', explained CEO Stephen Wynne (Johnson, 2012).

One of the 'anti-laws' of marketing luxury that experts Jean-Noël Kapferer and Vincent Bastien (2009) advocate, is 'don't respond to rising demand' (p. 66). They highlight how *Ferrari* limit the number of cars they make each year despite far higher demand. At the time of writing, *Tesla* even stopped making their Roadsters altogether, so already they are collectors' items. It is not for lack of demand, so why stop now? The answer, and the reason for the disruptive potential of *Tesla*, is the purpose of the company.

From the beginning, Elon Musk has maintained that *Tesla*'s aim is to have a significant impact on reducing oil consumption by automobiles. As he explained in 2006 (Blanco, 2006):

> The overarching goal of *Tesla* is to help reduce carbon emissions and that means low cost and high volume. We will also serve as an example to the auto industry, proving that the technology really works and customers want to buy electric vehicles.

A few thousand millionaires driving electric vehicles will not do much in a world of 1 billion cars (Tencer, 2011). From now on *Tesla* will focus on rolling out its cheaper and more useful sedan car. Their initial focus on luxury was to change the image of electric vehicles, build a brand, and create a viable business to get started. *Tesla Motors* effectively 're-coded' electric vehicles as something desirable, a re-coding process that design philosopher Tony Fry (2009) describes as key to the sustainability transition, and the future of design. In recent years *Tesla Motors* has partnered with various car companies, including Daimler and Toyota, to help them launch their own electric vehicles.

In June 2010 *Tesla Motors* launched its initial public offering (IPO) on NASDAQ under the symbol TSLA. The IPO raised US$226 million for the company. It was the first American car maker to go public since the *Ford Motor Company* had its IPO in 1956 (Squatriglia, 2010). That was during a period when the incumbent US car companies sought government bailouts to stay afloat.

Tesla Motors is offering 'disruptive luxury' as they challenge what we consider to be luxury, and how an industry is structured, and thus threaten the incumbent brands, unless they adopt and adapt. These are positive disruptions, as they enable positive social change and the potential for a more sustainable role for luxury companies. Sustainability concerns are driving more entrepreneurs to create disruptive luxury companies. In this paper we explain efforts of such entrepreneurs in fashion, accessories and transport. The efforts, successes and set backs of these 'elegant disrupters' are relevant to better understanding of social and environmental change, innovation and entrepreneurship, and the future of luxury.

The emphasis of the luxury sector on heritage and longevity is in contrast to how creative destruction is typical in most industry sectors, including luxury, and how disruptive innovation by entrepreneurs is key to that process. In this paper we argue that these are disruptive times for luxury brands due to five key trends that are beginning to re-frame the markets that luxury brands sell to. Sustainable luxury entrepreneurs from USA, UK, Philippines and South Africa are profiled. We argue that these entrepreneurs can be understood as pursuing 'elegant disruption': a well-designed intervention in markets that both uses and affects aspirations in ways that change patterns of consumption, production or exchange, for a positive societal outcome.[1]

Methodology

This paper is the result of both authors' experience engaging with the luxury industry as critical practitioners over 5 years. Over 30 luxury entrepreneurs and luxury brand managers with firms from five continents were interviewed over those 5 years. These people were contacted by meeting at luxury industry conferences, educational events, through introductions by third parties, or by them reaching out to the authors, given our publications in this field (for instance Bendell and Kleanthous, 2007). As our study does not purport to provide analysis of typical views held by the luxury industry, this form of identification of our sources is acceptable. Our interactions were sometimes structured as interviews, but were often more informal, with notes being taken after, or emails following up conversations to clarify views. This posed no ethical issues, as we

1 We thank Claudia Strassburg, Tapan Sarker, Malcolm McIntosh and Miguel Angel Gardetti, as well as all those interviewed.

re-contacted anyone we wanted to base our analysis and arguments upon, to gain their permission.

During that time we read analyses in the fields of marketing, communications, luxury brand management and social psychology, and from this interdisciplinary reading identified theories that appeared relevant to our sense-making from conversations with practitioners. Therefore our arguments are not the outcome of a structured literature review, research question, data collection and analysis. Rather, they emerged from inter-disciplinary reading and reflection on our general participation in this field. In particular, as we came across entrepreneurs we collated insights on their approaches and successes, and identified key themes. We found similarities between the approaches of these luxury entrepreneurs and the research that shows sustainability-improving innovations are reportedly more often carried out by smaller firms, reflecting the theoretically and empirically well-established negative association between firm size and the level of technological 'radicalness' of an innovation (Schumpeter 1934; Markides and Geroski 2005; Harms *et al*. 2010; Hockerts and Wüstenhagen, 2010). Discovering this literature gave us impetus to further analyse the luxury entrepreneurs and identify some uses and weakness in the theories on disruptive innovation, in the context of the luxury sector.

This approach is an 'Appreciative Inquiry', a form of research that focuses on documenting what a researcher considers positive about a particular organisation or situation (Kinni, 2003). Proponents view Appreciative Inquiry as suitable to organisations facing rapid change or growth, which is appropriate for the innovators analysed in this paper. Unlike many Appreciative Inquiries, we did not focus on one organisation, but instead identified positive stories from the whole sector we were analysing. Although other methodological approaches will be used on these questions in future, we found Appreciative Inquiry to be a useful methodological approach for this initial exploration of an area that was little researched or theorised. We share the widespread critique that to assume positivist approaches to qualitative research are the only valid approaches is unfounded and unhelpful, especially when researchers are providing initial insights on a new field (Reason and Bradbury, 2006).

The creative destruction of luxury

The idea of what luxury 'is' has changed over time, and reflects social norms and aspirations (Berry, 1994). Archaeologists studying the oldest human-worked gold ever found, from 5,000BC in the Varna Necropolis in Bulgaria, have concluded that the very first gold objects were made as jewellery, not for money or weapons. This suggests the techniques for goldsmithing were developed out of an interest in beauty and ornamentation, rather than more practical matters (Higham *et al*. 2007). Similarly, many products that are first considered luxury become more widespread in society over time: things associated with 'luxury' play a role in social development.

In today's marketplace, where brands are widespread, some brands have become associated with luxury. They are usually the highest-priced and highest-quality items in any product or service category and provide the consumer with an elite experience or sense of prestige. The luxury sector is worth approximately US$200 billion a year, and is global. The luxury market has been resilient during financial crises in the West and was forecast to grow by 65% worldwide between 2010 and 2015 (Data monitor, 2010).

The industry not only creates jobs and profits, but also incurs a range of social and environmental impacts, as described in this special issue. A WWF-UK report on the sector summarised the various social and environmental impacts of luxury companies, from poor mining conditions, to deforestation, to questionable workplace practices (Bendell and Kleanthous, 2007). The luxury industry is therefore one with many positive and negative impacts, and much influence on perceptions and aspirations, worldwide. In this paper, we describe how that power is being used by some entrepreneurs in new ways to create behavioural change for positive environmental and social outcomes.

Luxury professionals often talk about heritage and creativity (Okwonko, 2007). Yet there is another side to both heritage and creativity. It is what make heritage unusual, and what motivates and results from creativity. It is destruction. Capitalism is typified by 'creative destruction' of existing companies, a term popularised over 70 years ago by Joseph Schumpeter (1934). Today the average life span of companies in the *Standard & Poor's* 500 is 15 years (Wharton, 2010). Established companies and jobs often benefit from some level of monopoly power derived from existing technological, organisational, regulatory and economic paradigms, and it is entrepreneurs who can disrupt that pattern (Perez, 2002). In luxury, this process occurred in watch-making. In 1966, prototypes of the world's first quartz pocketwatch were unveiled by Japanese firm *Seiko* and Swiss firm *Longines* in the Neuchâtel Observatory's 1966 competition. Around that time Switzerland made about 50% of the world's watches. Swiss watchmakers did not commercialise the quartz technology, while *Seiko* did in 1969. Within ten years of the commercial launch of quartz watches, Switzerland's exports of watches had collapsed by half. It recovered by launching the *Swatch*, a quartz watch with a new youthful approach and upmarket brand, and re-investing the revenues into taking Swiss watch-making to higher price-points (Hoosain *et al.* 2007).

Why did the Swiss watchmakers not commercialise the quartz technology? Clayton Christensen (1997) concluded that larger companies do innovate, but within the limits of what existing clients expect and what existing suppliers and related professionals are comfortable in providing. These types of innovations he called 'sustaining innovations' and do not result in the damage or downfall of established companies. However, some innovations have characteristics that traditional customers do not initially desire, and that are appealing to a smaller set of consumers. They may be less appealing because they are seen as lower quality, or require a change in behaviour or perspective. He documented this by looking at disk drives for computers. He found that some innovations had:

> a product architecture that was often simpler than prior approaches. They offered less of what customers in established markets wanted and so could rarely be initially employed there. They offered a different package of attributes valued only in emerging markets remote from, and unimportant to, the mainstream (Christensen, 1997, p. 15).

These 'disruptive' innovations led to the downfall of many companies as they did not adopt and commercialise the innovations until too late.

Christensen found that companies do not adopt disruptive innovations fast enough due to their 'value network', which is the context within which a firm identifies and responds to customers' needs, solves problems, procures inputs, reacts to competitors and strives for profits. Large companies are not often interested in small markets as the transaction costs are higher. Disruptive innovations are therefore ignored until the market has grown to a size when it is commercially attractive, and during that time, the new companies can develop to a degree where they can threaten the incumbent companies' customer base.

Exploring in more detail how innovations are then taken to scale, the historian of technological change and economic cycles, Carlota Perez (2012), has concluded that for a technological revolution to develop from a speculative 'installation phase' to the more beneficial 'deployment phase', the new technologies must become aspirational. 'What history teaches us ... Is that such changes take place, not by guilt or fear, but by desire and aspiration. For a green style to propagate, it must become the luxury life' (Perez, 2012, p.4).

This analysis of the sociological and psychological factors in creative destruction reinforces the argument that what is considered 'luxury' in any society plays a role in innovation and change. This argument also finds evidence in the variety of luxury brands today that relate back to a heritage of a disruptive innovation that resonated with and amplified a technological or sociological change. The leading luxury fashion brand *Chanel* was founded by Coco Chanel in 1913, when she introduced luxury casual clothes that were suitable for leisure and sport, offering women something far less rigid and uncomfortable than the norm. She explained at the time that 'The designers have forgotten that there are women inside the dresses'.[2] In the French resort town of Biarritz, in 1915, Chanel created loose casual clothes made out of jersey, a material typically used for men's underwear; a playful use of a material that was cheap, comfortable and resilient (Charles-Roux, 1979).

The story of Coco Chanel shows how an entrepreneur's dissatisfaction with norms is key to them breaking norms. It shows also how norm-breaking needs to connect with an emerging need, and Chanel's approach resonated with changes in women's roles and freedoms at the time. It also shows how incumbent firms can dismiss simple innovations because they do not fit with their assumptions.

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2 Widely attributed. Including on Jone Johnson Lewis's 'Coco Chanel Quotes', About Women's History, www.womenshistory.about.com/cs/quotes/qu_coco_chanel.htm (accessed: 3 August 2012).

Disruptive times for luxury

Despite the strong growth, and partly because of it, there are signs that we are entering disruptive times for the luxury industry. We have identified five trends that are beginning to re-frame the markets that luxury brands sell to: evolving tastes, critical transparency, hyper-connectivity, cultural shifts, and an emerging 'transmodernism'.

First, market research finds that some consumers' tastes are evolving, so that conspicuous consumption and the value of luxury brands are more often questioned. A report from *Boston Consulting Group* found that because of the financial crisis, in the West, 'luxury has lost much of its mystique' as people re-assess their behaviours and motivations. 'The challenges posed by this conceptual shift will be more fundamental and lasting than the challenges that arose from the crisis' (Frank, 2010). In non-Western markets, the tastes of luxury consumers have been reportedly 'maturing' quicker than it took in the West, with more consumers focusing on aspects of the product and company beyond the visible appearance of the brand (Bendell and Kleanthous, 2007). Companies that are focused on maximising revenues from their existing businesses may not be considering how these evolving tastes could undermine the idea of 'luxury' that attracts consumers to their products. New companies with smaller volumes might more easily target their products, design and brand to appeal to the emerging aspirations and tastes of these consumers.

Second, more consumers are becoming aware of some of the industrial background to mainstream luxury brands, with greater transparency about the way items are produced raising critical questions. For instance, *The Luxury Institute's* 2010 wealth survey found that 56% of US luxury consumers said that craftsmanship of luxury products is on the decline and 51% that product quality is waning (The Luxury Institute 2010). The social and environmental relations of production are also becoming more understood by luxury journalists and consumers. *The Financial Times* (2011) reported that this greater attention was sparked by the report by the environmental group WWF about the ethical performance of mainstream luxury companies (Bendell and Kleanthous, 2007). Since then there have been regular exposés. For instance, an Associated Press investigative report in 2008 showed that gold being mined by African children using mercury was entering the supply chain of luxury brands (Callimachi and Klapper, 2008). A 2010 study by market researcher *IFOP* showed that 47% of individuals in the top 25% income bracket across France, China, Japan and the Unites States were willing to pay more for responsibly produced goods. In China, the top 20% of income earners ranked social and ecological responsibility fourth among the nine factors that luxury consumers consider important when purchasing luxury goods, ranking it ahead of creativity (2010). This growing awareness poses a reputation risk to those companies that are not addressing their social and environmental impacts throughout their products' life-cycles. It also indicates that a market segment exists for brands that seek to excel on such issues. This is why sustainability was identified by luxury specialists as one of the main strategic challenges and opportunities for the industry (Bevolo *et al.* 2011; Giron, 2010; Kapferer and Bastien, 2009).

A third key trend making it a disruptive time for the luxury industry is 'hyper-connectivity': the growing pervasiveness, in place and time, of instant communication technologies (Wellman, 2001). The implications of this hyper-connectivity for luxury relate to both consumers and industry professionals. For consumers, we are witnessing a decline in them acting as recipients of unidirectional marketing and advertising. This is best observed in the clothing and accessories sectors, where wearers of fashion can shape trends and even launch new brands. From things as simple as tweeting or liking a brand's *Facebook* page to more involved yet managed activities such as customising their own purchases from major brands or participating in online advertising campaigns, to more proactive engagement such as crowd funding new designs and new designers, or appearing in street fashion blogs like *The Sartorialist* or *Facehunter*, people can now participate in shaping what is considered fashionable. In this context successful brands may be those that people can enthuse about, tell their friends and seek to promote or even co-create with. The key driver of such enthusiasm is a connection with people's values (Waddington, 2012).

Another aspect to this hyper-connectivity is that the stories that engage consumers to become fans may need to be true stories, not fiction. In recent decades advertising has been almost entirely fictional. Just as one's character is not defined by who you are, not whom you support, so cause-related marketing is not likely to convey a sufficient sense of brand character. This move to authenticity challenges companies that have ownership structures and production processes that in no way embody the brand image that they portray to the public. It also suggests that a market segment is open for companies that have a clear and meaningful identity that is integrated into all its operations and, even, how it is owned.

The fourth disruptive trend in luxury is geographical. The rise of China and other Asian countries as markets for luxury companies has been well chronicled, and is not a disruptive trend in itself, as it has allowed mass expansion of existing business models (Giron, 2010). However, the geographical shift of economic power from the West to the rest holds more disruptive potential over time. It is difficult to generalise about so many people, but opinion surveys do indicate a changing sense of self and of the world in non-Western countries (Pew Research Center, 2012). People from across the global South are becoming increasingly aware and interested in the rest of the non-Western world (Dosch and Jacob, 2010). That French fashion house *Hermès* has launched a Chinese luxury brand focusing on Chinese ancient design reflects how some incumbent luxury companies are investing to benefit from these cultural shifts.

Our hypothesis is that these four trends will relate to each other as parts of an increasingly shared understanding about life in the third millennium. This understanding is that there are multiple sources, across time and place, of ideas about 'progress' and of the 'good' in life, and so there is a value in a conscious mixing of such multiple ideas (old and new, East and West), to embody and enable more conscious living. This belief system shares with Modernism the idea that societies can and should progress, that greater knowledge is part of that progress, and that personal emancipation is part of such progress. However, it rejects assumptions of one form of linear progress or one positivist approach to knowledge. In that, this world-view shares with Postmodernism a more plural view of knowledge. However, it moves beyond critique, or the nihilism that can arise from a rejection of progress, or an over-reliance on irony in communication. Instead, it seeks a mixing of multiple ideas about progress and knowledge for a useful social purpose. One term for this world-view can be 'transmodernism'.

Some sociologists have been developing the concept as a belief system (transmodernism) or as a depiction of the emerging era of thought, design, art and fashion (transmodernity). Rosa Maria Rodriguez (1989, Ateljevic 2009) suggested that Modernity, Postmodernity and Transmodernity can be related as, respectively, thesis, antithesis and synthesis. Enrique Dussel draws on anti-imperialist traditions to articulate a view of transmodernism, which is becoming popular in Latin American sociology (cited in Cole, 2007). Sociologists using the terms often emphasise how they describe both public and intellectual attitudes that embrace spirituality, diversity, ecology and interconnectedness (Ghisi, 1999; Ateljevic, 2009; Gelter, 2010).

Transmodernism is the fifth trend that we identify here, yet it might better be understood as a paradigm shift, that encapsulates the other four trends. It is potentially disruptive to the luxury industry, as it challenges currently mainstream views of what is success, and where style leadership comes from. The famous luxury brands of today often have origins in entrepreneurs or companies that embodied the spirit of their times, and so those that authentically embody transmodernism may be well placed to succeed now.

The elegant disrupters

People who care about social and environmental problems in a deep way can be motivated to break norms in order to address those problems. Some of those people are entrepreneurs and seek to create business which addresses a social or environmental problem. That does not mean entrepreneurs who seek to make a profit while being responsible, but where the entrepreneurs actively seek to solve a particular problem, and need to run a successful business in order to do so. The term 'social entrepreneur' has become popular for describing such people (Elkington and Hartigan, 2008).

If you are start-up entrepreneur, then the luxury sector is a natural one to consider, given that the margins allow for smaller turnovers. Perhaps it is not surprising then that over the 5 years since the launch of the *Deeper Luxury* report we met many social entrepreneurs in the luxury sector, who are dissatisfied with the state of the world and the state of luxury. In this section we describe a few of these people and their enterprises.

The first example is Canadian designer Kresse Wessling and the company she created with her partner, called *Elvis and Kresse*. Kresse was not motivated by the idea of producing 'luxury' branded items or high fashion. 'I'm a tomboy. The first bag I ever owned was the first tote bag I made out of fire hose'.[3] The complete opposite of the image of an effete fashion designer, Kresse's real passion is waste: 'My life has been a journey into waste. It's an addiction. Some are into drugs, I'm into trash'. She is motivated to reclaim huge amounts of industrial waste and recycle them into new consumer products with a higher value (now termed 'upcycling'), thereby reducing the wastefulness of our society. So she wanted to do something creative with waste fire hose, after she had heard from a firefighter at an environmental management course how much fire hose was sent to landfill after use. With her partner Elvis, they discussed what they could make out of the fire hose. There were a number of options, such as roofing tiles, but the volumes were right for the leather goods market. After reading the *Deeper Luxury* report, Kresse thought 'those luxury brands aren't getting higher than C+. We'll take that industry on, get an A+, prove it can be done'. Thus they decided to go into high-end accessories, and began their search for the best factories to make the best designed and manufactured bags that they could.

Although they embrace the need for media on what they are doing, they do not play by the typical luxury fashion rules. In the June 2009 issue of *Vogue*, leading photographer Mario Testino shows Cameron Diaz wearing one of her *Elvis and Kresse* fire-hose belts. 'Initially when we got the request from *Vogue* we thought it was a scam from them to get a free belt; I'm glad we went for it'. The company has not spent money on advertising, apart from its website, and has relied on the power of the company's story.

> The first tote bag I carried around and showed to people got 200 people to commit to buy it at a discount. Later on I then gave speeches at awards and some people love the story so much they bought the bags for friends to give them and tell them about what we do. . . Our marketing until now has been about finding people on the same wavelength. I was actually at a conference on an organic farm and I went out to a grassy knoll to get reception. There was a guy from *Apple*. I opened up my phone with our prototype *Apple* iPhone case. He asked 'do we sell these?' I said 'you will'.

Elvis and Kresse has found immediate success. A small start-up, with no starting capital at all, using free materials and their own effort, funding their growth simply by sales revenue, *Elvis and Kresse* is now an award-winning business. 'In our first year we had a turnover of about 15,000 pounds Stirling, as we were focused on R&D'. Just 2 years later they had an annual turnover of £250,000. Kresse was a guest lecturer on the sustainable luxury course at *IE Business School* in Madrid. The MBA students wondered whether this business could scale. 'I do not think that growth will slow' Kresse told them. Why?

> 99 million tonnes of waste goes to landfill in the UK each year. We are specialists at upcycling, building value into waste. We know where the waste is, what works, which cleaning and manufacturing processes to match with which materials and we are highly motivated.

The company now 'upcycles' ten different wastes, and has ten charity partners for each waste that benefit from the business profits. Crowning their

3 All quotes from interviews or correspondence with Jem Bendell during 2009–2010.

success in disrupting the notion of what materials can be luxurious, and what stories about a brand can be luxurious, in 2012 the British luxury association *Walpole* awarded them the title 'Brand of Tomorrow'.

Elvis and Kresse are on a mission, where the success of the brand can create a cultural shift. 'Sustainability invites us to learn from nature, where nothing is a waste. We should have a zero waste society—where we do not waste anything, not energy, not talent, not textiles, not ideas, not leftovers, not opportunities', Kresse told me during our consumption-free walk through Hyde Park.

> Waste is a commodity that's lost its value. I look for story-laden wastes that I fall in love with. What I'm fascinated about is how we can take something from a skip and it ends up in *Harrods* with security tags.

How fire hose went from waste to waist, was through Kresse's passion for our planet. It is that passion which fires the alchemy of turning waste into something that not only has new value, but also inspires us.

In the Philippines, Reese Fernandez founded a new luxury brand that also upcycles waste. In 2007 Reese was one of a group of young professionals living in Manila who were seeking to contribute to social development there. They visited a huge dump, about the size of 40 football fields, with over a million people living next to it in a slum. They found the women mostly stayed at home and scavenged cloth from the dump to make small rugs. 'There were about 15 middle men, who were not providing any support or value creation, so the women were earning about 8 US cents a day'.[4] Reese felt empathy for the situation of the women. She explained that through her mother's church work, she had been sensitised to the situation of others, and as a child had been friends with the local street children. With her friends she decided to launch a business to help the women living in that slum, starting with a few women who made rugs. Four years later their *Rags2Riches* brand is thriving, supplying top home furnishing stores, and providing livelihoods for 548 women and 2 men.

Key to their success was deciding to go upmarket:

> My husband Mark was inspired by the fashion brand *Edun*, who said they were creating livelihoods for poor people in Africa. So he approached a top designer in the Philippines. Rahul came up with new concepts, like wine holders and vanity kits, as well as creating new ideas for the rugs. It is amazing how a designer's eye can contribute so much to something as simple as a rug.

The company could not do any market research. 'We are our own target market. We like quality and amazing design. We know consumers cannot be convinced by marketing something only as charity'. The greatest challenge and investment was to help the women improve production to meet the needs of the new target market. 'It is hard to instil a culture of quality, and that's a key value we bring to the process'. As with *Elvis and Kresse*, the company did not need funding. 'We put in 200 dollars starting cash, and a year of volunteering time, while we continued other jobs. Later on eight colleagues funded it, and then we attracted an investment from *LGT Venture Philanthropy*'.

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4 All quotes from interviews or correspondence with Jem Bendell during 2012.

Where next for *Rags2Riches*? 'I think we can scale [up our operations]. Our short term goal in the next 3 to 5 years is to work with 3,500 artisans'. How will the company address issues of equity as the business grows and profits boom, while working with women in slums?

> Our priority is fair wages to community members. And we won't move on that. The margins we add to the products can fit what the market expects on price. So what is key is where the profits will go. At present they are reinvested in the business. All the artisans go through to the artisan academy for free. The artisans are able to join their own cooperative, and that cooperative owns part of our business, and an artisan sits on the board. This means there will be some profit sharing and full transparency.

Reese believes their work challenges people's understanding of luxury.

> I do not think something is stylish purely because of appearances alone. Style is more than just beauty or how you carry yourself. It's what you believe in, it's what you purchase that reflects what you believe in. We think luxury is about hands and stories. Secret stories about products that only you know. I'm seeking to create change through changing what we think is a desirable product.

It is this vision that shapes Reese's ambition: 'I'd like to be a viable competitor to brands like *Louis Vuitton*'. Why are incumbent luxury firms not doing the same? 'I think the greatest barrier is simply the luxury professionals, and most luxury media and consumers today, not realising that poor people can make beautiful things'.

In South Africa, designer Laduma Ngxokolo is in the high-end fashion business counters the loss of cultural heritage and related crafts. Traditionally young Xhosa men between the ages of 18 and 23 undergo six months of initiation to 'become men'. All their clothes are given away to sign the end of their boyhood. Their parents must then buy a whole set of new clothes. What is available on the South African market today bears no resemblance to the quality or value traditionally given. Laduma creates high-end men's knitwear inspired by ancestral beadwork designs. He explains that his Xhosa 'heritage is his inheritance'. [5] 'Youth has forgotten where we come from. I educate them about things I didn't know as well, like our own colours, designs and the moral values for each different clan'.

Laduma was first enthused by the beautiful beaded work displayed at the Nelson Mandela Metropolitan Art Museum during the 2010 Soccer World Cup. The geometric structures fit his machine knitting techniques, so he decided to interpret and translate Xhosa beadwork designs into knitwear, using the best mohair and wool fibres available locally in the Eastern Cape so the pieces could be passed down to the next generation. The knitwear needed to appeal to a young urban population, and be recognisably inspired by Xhosa tradition. Since most South African mohair is exported, his idea was to positively impact the value chain of South African mohair and benefit small community farmers.

In 2010 Ngxokolo won the South African national leg of the South African Society of Dyers and Colourists (SDC) Design Competition, which earned him a

5 All quotes in this section are from personal communication with Laduma Ngxokolo, 30 January 2013.

trip to London where he entered the international competition and was awarded First Prize. One of his creations was nominated 'Most beautiful object in South Africa'. Laduma's research, which began as a project, has become an absorbing career, and has helped him value and present his culture for the next generation.

These are just three examples of over a hundred entrepreneurs who are seeking to have a positive social or environmental impact (Bendell and Doyle, 2011; Bendell, 2012). They are breaking norms to grow their businesses. To break norms one needs a perception of reality that is different from the norm. Kresse Wesling, in particular, shows us how a shift in perception identifies new opportunities: she saw waste as a potential resource. Her different perception was able to identify a 'blue ocean' of a new untapped resource and an untapped market, rather than the bloodied oceans of competition over existing suppliers and market shares. Management strategists have found that managers' perceptions limit them to contesting existing markets, or red oceans, rather than branching out into new areas; another aspect of the processes that lead to innovations being disruptive to incumbents (Kim and Mauborgne, 2005). One factor encouraging perceptions is a dissatisfaction with the current norms. People concerned about social problems and sustainability are dissatisfied with the status quo; they are open to new ideas that can disrupt the normal way of doing business.

Could 'elegant disruption' be an approach to enterprise, to management, to social change, that could be modelled and copied?

The cases we studied suggest the following keys to success:

- Recognise that innovation can arise from apparent scarcity as much as from abundance
- Go upmarket
- Use a professional to create top designs
- Find good quality manufacturers
- Develop a market based on engaging people on the same wavelength, including use of social media

In addition, here are four questions that could guide a strategy discussion about using elegant disruption not only to develop a business, but to create positive social change:

1. What is the social or environmental problem that is 'stuck'?
2. Is there a behaviour that would help un-stick that problem but which is not yet desirable?
3. How can you make that desirable, in a profitable way?
4. How can you do that while encouraging wider beneficial behaviour change?

The rise of these elegant disrupters poses a number of challenges for different people and organisations: entrepreneurs themselves, incumbent luxury brands or groups, investors in luxury, activists, and educators of innovation. In particular, there are a range of paradoxes involved in pursuing a net positive impact on society and environment as a luxury firm (Bendell, 2012). For instance, whether *Tesla* will have a lasting positive impact on the behaviours of its consumers may depend on how it helps its customers communicate and express environmentally aware values in the rest of their lives.

The possibility to approach our study in an emergent way, informed by interdisciplinary reading, and an Appreciative Inquiry approach to questioning and data collection was key for us to be able to identify a potential pattern, behaviour or effect of 'elegant disruption'. As a result, the paper is necessarily introductory in its findings, hopefully laying the groundwork for further studies that use a variety of methodologies and theories.

Conclusion

Disruptive innovation occurs in all industry sectors, including luxury. Concern for sustainable development is inspiring some luxury entrepreneurs to create entirely new products, which challenge assumptions about the nature of 'luxury'. For instance, the car firm *Tesla Motors* is changing the way many people, including professionals in the industry, view electric cars. In this paper we profiled the 'elegant disrupters' that are making well-designed interventions in markets that both use and affect aspirations in ways that change patterns of consumption, production or exchange, for a positive societal outcome. The rapid success of some of these enterprises suggests that they can reshape more people's understanding of what luxury is, and therefore likely disrupt, rather than sustain, the market dominance of existing luxury brands.

In analyses of disruptive innovation, Cristensen (1997) emphasises that an innovation is usually disruptive because it is cheaper and reaches markets ignored by incumbents. However, we have found that innovations that hold the potential for disruption do not need to be cheaper: indeed, they can be just as expensive as the incumbent competition, with the high price being key to the identity of the brand. In addition, the disruption may not arise from a direct transfer of market share, but by influencing the way a whole category of products is understood, and thereby challenging existing stories of value. Therefore we concur with the existing luxury management literature, which finds that approaches and theories developed for non-luxury businesses are often not appropriate for understanding luxury (Kapferer and Bastien, 2009).

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