



February 26, 2016 - SBCCOG 17th Annual General Assembly: Governing in an Era of Disruptive Technologies

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“The most disruptive innovations do not ask for your permission. But they do demand your participation.”

-Rick Smith, forbes.com, 6/22/15

Technological innovation has been a force for change all the way back to rock-tools and fire. Along the way certain innovations were so powerful that they disrupted the status quo and literally changed everything – and in a relatively short time frame of a couple of decades. The automobile between 1900 and 1920 is one example.

Disruptive technology upsets the status quo -- in markets, corporations, public policies, social behavior, etc. The term was originated by Harvard Professor Clayton Christensen in his 1997 book, [The Innovator’s Dilemma](#)

The Internet, commercialized in 1990, is another. Except that the Internet is a *digital innovation* with a special property – it is a platform that supports additional digital innovations which in turn become platforms for additional digital innovations and so forth. This is the property that creates today’s waves of technological innovation, many of which are *disruptive*.

The Internet provided the platform for smart phones which led to over 1.5 million apps being developed, many of them introducing entirely new services. Take the Transportation Network Companies (TNC) for example (Uber, Lyft), which have re-defined the mobility market place upsetting the status quo based on taxis and public transit. TNCs developed a new business model for passenger delivery, then local freight, and now perhaps even medical service delivery. The services are accessed through an Internet connected smartphone which also handles the financial transaction. Or the navigational apps that help avoid traffic congestion such as WAZE or the new LA GO.



We cannot put the genie back in the bottle.

As with every genie, there are both threats and opportunities. Existing, or “legacy institutions,” must adapt and find a place in the new status quo, or they will shrink in significance or possibly disappear altogether. The retail landscape is littered with market segments that failed to adapt – book, record, and camera stores to name just a few.

Other industries are currently reeling while trying to cope with disruptive digital innovations. Cable television companies are threatened by Internet TV, TNCs have begun to slow auto sales, 3D printing will eventually bring the location of manufacturing closer to consumer markets

upsetting the global supply chain network. A new used car sales app, Beepi, threatens to reduce trade-ins, classified ads, Craigslist and Autotrader. Internet sales are endangering traditional retail from the department store to the grocery store. Obscure niche markets are also being disrupted – for example, talent agents are no longer needed by voice-artists in the entertainment industry as audition tapes are stored in the cloud for client selection. Even Yahoo, an Internet pioneer, failed to adapt to the new world that it helped to create.

Public sector institutions such as local governments, school districts and even transit operators are not immune to the need to adjust and adapt. Revenue sources are already being affected. Nothing is forever.

However, disruptive technologies create opportunities as well as threats. Local governments need to figure out how to use these technologies to improve efficiencies, reduce costs, generate new revenue sources, and perhaps even invent a form of muni-entrepreneurship. E-government, digital citizens, and neighborhood centers are among the many options.

New strategies need to be created. For example, Airbnb, as a manifestation of the “sharing economy”, is interpreted by many jurisdictions as a threat, but it can also be approached as an opportunity. Rather than fight the inevitable, it might be better to figure out how to participate by adding value. Hypothetically: cities could negotiate with Airbnb the terms of a “Goldstar” designation for homes in the system. A “Goldstar” could require “good neighbor” rental conditions and payment of the full transient occupancy tax.

The first step in addressing a problem is to recognize that it exists. *Raising the South Bay’s collective consciousness about the threats and opportunities inherent in the*

current and continuing wave of disruptive digital innovations is the main purpose of the 2016 General Assembly.

In order to do that, five presentations are planned. In summary they are:

- Survey of what's going on with technology and the public realm
- The potential impact of disruptive technology on municipal revenues sources
- A close-up look at the technology innovators
- Introduction to a large scale opportunity – South Bay Net -- that could be an economic and transportation game changer
- A peak at where we are headed – the city of the future

Realizing the promise of our General Assembly title – Governing in an Era of Disruptive Technologies – is a significant challenge and will require at least a couple of years of sustained effort. The 2016 General Assembly is taking only the first step toward developing sub-regional and municipal strategies and implementation capabilities. Inter-city dialogues and discussions should continue throughout the year in various city and SBCCOG venues.



The Sorcerer's Apprentice in Disney's Fantasia illustrates what can happen when society lacks the wisdom and know-how to control the technology it has called forth. We hope you agree that the South Bay Cities should acquire the wisdom and knowledge needed to develop the policies and programs that will direct these disruptive innovations to serve the public as well as the private good. We need to become the Wizard, not the Apprentice.

