WEBINAR Q&A // APRIL 2020

From Global Disruption to Innovating in the Upturn: Post Session Q&A

Featuring Scott D. Anthony

HOW DO YOU KEEP INNOVATION RELEVANT TO SENIOR EXECUTIVES AT THIS DIFFICULT TIME?

Too many companies view innovation as a nicety that can be dialled up and down depending on business conditions. It isn't. Innovation is a necessity, regardless of the conditions. Remember, a leader has two jobs. They have to deliver today, and they have to create the future. Innovation is vital to both of those jobs.

That said, innovation leaders need to do three things to maximize their relevance in this difficult time.

First, they need to **be focused**. Take a hard look at what you are currently doing. Cut down your portfolio, even if no one has asked you to.

Second, they need to have a **clear narrative** that connects innovation to short- and longer-term priorities. Zoom out to show how innovation helps to create the future. Zoom in to show the near-term actions that have material impact. Connect the two.

Third, they need to **be frugal**. Remember, innovation success almost always traces back to trial-and-error experimentation. Find smart ways to experiment without requiring big budgets. Share the innovation load with partners, start-ups and customers.

Another important thing to remind executives of is the relationship between risk and innovation. Innovation is perceived to be risky. Is it? Think about the biggest commercial flops of the past couple of decades. Maybe Google's glasses come to mind, or Amazon.com's failed effort to get into the mobile phone business. These flops weren't good for the respective companies behind them, but they didn't materially threaten those companies either. Put another way, when you innovate, your downside is capped at the amount you invest, and your upside is boundless. If you don't innovate, you get no upside, and you run the risk of decreasing relevance at best, and bankruptcy at worst. Innovation is not risky. Not innovating is risk.

WHICH INDUSTRIES AND VERTICALS ARE GOING TO BE DISRUPTED THE MOST?

There are two ways to look at this. The first is to look industries where disruption was underway, where the Covid-19 shock will accelerate underlying trends. Our 2017 book Dual Transformation highlighted five industries where we could see clear signs of looming disruptive change:

1. Consumer banking: "The cornerstone of many local towns risks being ripped apart by a range of seemingly disruptive developments."
2. Shipping: "Three broad disruptive trends—additive manufacturing (or 3-D printing), drone-based delivery, and smart, connected devices—promise to change the face of the industry."
3. Medical devices: "Instead of an industry focused on treatment, there will be booming businesses related to monitoring and prevention."
4. Automobile manufacturing: "Automotive companies will need to deal with the reality that their core business is likely to contract, and they need to make sure they reconstruct their business model appropriately."
5. Professional Services: "Democratized knowledge, platforms, software-based solutions and artificial intelligence promise to have significant impact on professional services."

The other thing to look at are industries where the fundamental problem the industry solves, what we call the customer "job to be done," will be dislocated beyond the current crisis because of customer behavior change or because of new system-wide barriers. It's hard to know for sure what these industries are now, but it isn't hard to think about things like conference organizers and cruise ships. For the former, my suspicion is people will come out of the crisis saying that video conferencing actually works well enough to obviate travel for many reasons. For the latter, I suspect regulatory changes will make life difficult for the cruise industry. Time will tell, of course.

WHAT DO THE FIRST 90 DAYS LOOK LIKE AS A HEAD OF INNOVATION IN CURRENT TIMES? ESPECIALLY IF YOU ARE NEW TO THE COMPANY. WHAT ARE THE KEY PRIORITIES? HOW DO YOU DELIVER QUICK WINS WHEN YOU DON'T HAVE THE ATTENTION OF OTHER BUSINESS LEADERS CAUGHT UP IN RESPONDING TO CRISIS?

The advice in the first question about focusing, connecting innovation to existing priorities and being frugal certainly applies to newly appointed heads of innovation. My one other piece of advice is to think about thoughtful ways you can consciously push boundaries in ways people will thank you for later. In other words, consider how people being distracted can be an advantage! Keep the frugal advice in mind, and think about smart focused experiments you can run, or creative investments you might be able to make in startups that could be increasingly desperate for lifelines. It is a great time to be bold, without being reckless.

HOW DO GET REGULATORS TO INNOVATE TO ALLOW FOR NEW SOLUTIONS IN TELEMEDICINE TO THRIVE. CURRENTLY REGULATORS ARE SLOW TO MOVE TO ADAPT NEW TECHNOLOGIES AND OPPORTUNITIES.

I have three suggestions to consider. First, consider the example of the Monetary Authority of Singapore (Singapore's central bank). A few years ago, it created a sandbox where startups and existing companies could experiment with new fintech solutions. The idea was to create a space that wouldn't create system-wide risk to encourage experimentation. Second, more broadly, encourage collaboration and learning from other countries and other industries. There's almost always an answer in plain sight if you know where to look. Finally, consider some of the ideas in our recent Harvard Business Review article "Breaking Down the Barriers to Innovation." The basic idea in the article is the biggest barrier to innovation inside many organizations is institutionalized inertia, which you can fight by ripping a page out of the habit change literature and launching a well-constructed "BEAN" that combines a behavior enabler (i.e., a checklist) that details the desired new behavior, an artifact (i.e., a trophy or desktop object) that reinforces the new behavior and a nudge (i.e., a leaderboard) that invisibly encourages the behavior change. Some companies have BEANs that encourage employees to take prudent risks and run experiments. Tata Sons, India's largest conglomerate, offers a prize called "Dare to Try" that celebrates noble failure. Adobe offers a Kickbox program where participants receive a do-it-yourself experimentation kit with a prepaid $1,000 debit card that they can spend without asking for anyone's approval. Australian software company Atlassian runs a premortem, where teams discuss what would happen that would lead their projects to fail, helping to anticipate issues before they happen. These are just a few BEANs that can help organizations to overcome the perceived stigma of failure and be more adept in ambiguity.

WHAT IS THE KEY MESSAGE FROM CEO TO ITS ORGANIZATION THAT WOULD BALANCE THE URGENT RESPONSE VS. THE STRATEGIC THINKING THAT A CEO SHOULD ALWAYS HAVE A IN MIND?

In Alice in Wonderland, Alice asks the Cheshire Cat for directions. The mischievous cat asks where she is going. She says she doesn't know. The cat responds by saying, "If you don't know where you are going, any road can take you there." Of course, CEOs must make sure they preserve the present, and ensure their employees are safe, their operations are effective and they can manage their cash flow. But it is even more important in uncertain times to have a clear and compelling vision of the future. A clear vision will highlight once-in-a-lifetime opportunities to double-down on growth strategies while competitors are on their heels, to acquire assets that would otherwise be unaffordable or avoidable or to aggressively move in new directions. History shows clearly that there are opportunities no matter how dark the times. Also, some simple math helps. Imagine your company has 5,000 employees. Does it make sense to have 0.1% (five people) focus on the future? That's again 4,995 focused on the present. That seems like relatively easy math, and an advantage that larger, more established companies should leverage in today's times.

YOU TALK ABOUT LEADERS BEING BOLD AND HAVING THE COURAGE TO SEIZE THE OPPORTUNITY. ANY THOUGHTS ON HOW THEY CAN BEST PUSH THOSE OPPORTUNITIES THROUGH WHEN THEIR STAKEHOLDERS MAY NOT BE ON THEIR PAGE AND MAY TRY TO BLOCK NEW IDEAS?

There are three things to think about here. The first is to remember a key point in the book Switch by Chip and Dan Heath: what looks like resistance is often just a lack of clarity. It is important to have a clear and compelling story that connects the specific opportunity with the broader corporate mission and vision. A failure to connect those dots often leads to resistance. The second is to think about how to condition stakeholders to be more accepting of new thinking. For example, when Singtel, Southeast Asia's largest communications company, was setting its transformation strategy, its CEO Chua Sock Koong consciously held Board meetings in places like Beijing, Tel Aviv and Silicon Valley to give Board members first-hand experiences with global entrepreneurial ecosystems. While travel restrictions inhibit doing the exact same thing today, there are plenty of other ways to get stakeholders in a more receptive mindset. The final, and perhaps most challenging thing to do, is to consider changing stakeholders. For example, research shows that publicly companies can consciously change their shareholders by how they report information. The more they report information, the more they get fickle "hot" money that is trying to find short-term opportunities. Less frequent (but perhaps more thoughtful) information sharing draws in longer-term investors more conditioned to hear about longer-term opportunities.

HOW CAN YOU PERFORM EFFECTIVE M&A ACTIVITY IF YOU ARE RESTRICTED FROM TRAVELING AND MEETING WITH PEOPLE? BUYING A COMPANY IS NOT JUST ABOUT MATERIAL EQUIPMENT AND IP, BUT FIRST AND FOREMOST ABOUT ADDING GOOD PEOPLE. HOW CAN YOU EVALUATE AND INTEGRATE THEM EFFECTIVELY UNDER PRESENT CIRCUMSTANCES?

That's certainly true. I would suggest two things. First, in today's world, companies leave a lot of digital breadcrumbs. What are people saying on Glassdoor? Where did top executives came from? What kinds of cultures are they likely to have brought based on their past experiences? What do customers and stakeholders say about them? Even without a physical visit, the right kind of focused due diligence can teach you a lot. Second, you don't have to go all the way to a full acquisition immediately. You can look for focused ways to collaborate first, because there's no better way to learn about an organization than to actually work with them! I think we are going to learn in the current circumstance that a lot of the stuff that we assumed we had to do physically can in fact be done perfectly adequately digitally.

ABOUT INNOSIGHT

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