

# Navigating the Covid-19 Disruption Webinar: Your Questions Answered

By Scott D. Anthony

On April 9, Innosight hosted a Webinar detailing an innovation and growth playbook that integrates the tools and frameworks that we have built over the past two decades and our research into big-event disruptions such as the 1970s oil crisis, the bursting of the dot-com bubble in 2001, and the global financial crisis and resulting “Great Recession” from 2007-2010. The 200 attendees from at least 17 countries threw out more than 50 questions during the hour-long Webinar. It was encouraging to see that almost three quarters of attendees said that their organization had gotten their hands around operational issues and were beginning to think about their strategy in to compete in a post Covid-19 world and almost 90 percent of attendees believed that the Covid-19 pandemic was opening up interesting opportunities to innovate and grow.

Beyond the answers on the recorded session, which is available [here](#), the text below provides thoughts about unanswered questions across five thematic areas.

## PORTFOLIO BALANCE AND RESOURCE ALLOCATION

*Cash is king to survive, so how can a company balance its priorities between innovation and cash management and short-term liquidity during Covid-19? How should we think both short and long term?*

There are three ways to think about questions related to portfolio balance and resource allocation. First, it is important to remember that there is no one-size-fits-all answer to these questions. On the Webinar we argued that leaders should use three frames:

1. Preserve the present (immediate) by flattening the economic curve to ensure operational continuity and financial solvency.
2. Develop a rapid response strategy (6-18 months) that tracks outcome-determining assumptions and anticipates capability and culture changes that enable success.
3. Own the future (5+ years) by ensuring alignment on long-term aspiration and strategic focus areas.

Every company will have its own balance between these three frames. For example, many medical device

and pharmaceutical companies should spend relatively more time thinking about longer-term strategic implications, whereas pure-play travel and tourism companies have no real choice but to focus close to 100 percent of their energy on the present.

Second, these activities should not be viewed as disconnected. The reason why the own-the-future frame is so important is it informs near-term activities. It is one reason why we call our approach to strategy future back. The future part lifts the gaze of leaders to focus on the impact of underlying trends on tomorrow's environment so they can develop an aspirational snapshot of tomorrow's enterprise; the back part ensures tangible, tactical connections to today.

Third, there's no reason why innovation has to be disconnected from preserving the present. Remember, innovation is something different that creates value. There are ample opportunities to use innovation to develop novel ways to ensure operational continuity and financial solvency.

Beyond these points, remember one of Innosight's maxim: strategy isn't way you say you do; it is what you actually do (and don't do). Make sure that you match resource allocation (time, dollars, etc.) with your stated strategy.

## INDUSTRY-SPECIFIC ANALYSIS

*What's your take on manufacturing and supply chain disruption? What impact will Covid-19 have on new mobility/autonomous vehicle market? How will management consultancy change?*

Our co-founder, the late, great Harvard Business School Professor Clayton Christensen, was often asked to give his opinion about this industry or that industry. He would always say, "I don't have an opinion. The theory has an opinion." His point was the best way to understand how an industry will change is to have a good framework, theory or mental model that helps to separate signal from noise. The way we typically think about industry change is to look through the lenses of the disruptive innovation and jobs-to-be-done theories.

The disruptive innovation theory holds that industry change often results from entrants bringing new benefits along dimensions such as simplicity or affordability to existing customers who are overserved by mainstream offerings or potential customers who find existing solutions too complicated, expensive or hard to access. The theory then suggests looking for signs that disruption was underway that could be accelerated by Covid-19. Our 2017 book *Dual Transformation* identified transportation/logistics, auto manufacturing and professional services as sectors where there were clear early signs of disruptive change (along with medical devices and consumer banking), so there is every reason to believe we will see further advancements of disruption in those industries in the months and years ahead.

The jobs-to-be-done theory holds that customers opt for innovations that make it simpler and cheaper to solve the problems they face in their life that are not well addressed by current

solutions. The theory holds that a customer's job to be done is relatively stable. However, our review of big-event disruptions shows that they can dislocate jobs to be done. For example, a popular joke asks who has had the most impact on digital transformation? The CEO? The head of digital? No! Covid-19, which showed assumptions about digital working were quite wrong. Watch to see whether customers unintentionally discover that they prefer a solution forced upon them, how customers re-prioritize criteria by which they choose between solutions and which system-level changes impact customer preference to see how industries will change.

In summary, these theories suggest asking the following questions:

- What underlying trends have catalyzed and will have deeper and faster impact?
- Where will temporary changes lead customers to discover new solutions that get the job done better?
- Where will new habits lead to lasting changes in the “hiring criteria” customers use to evaluate solutions?
- Where will post-event system-wide changes impose new barriers and therefore change the way customers prioritize solutions?
- Which emerging disruptions are now positioned to be more imminent threats?

## APPROACH TO INNOVATION

*How do you best test innovation during times of such tremendous uncertainty? How do you think about Open Innovation in current situation? How to manage Innovation Pipeline in these testing times?*

Why was **The Silver Lining** called **The Silver Lining**? One reason of course was the persistent finding that innovation opportunities exist no matter how dark the times. But the primary reason was that the constraints imposed by tough times are a hidden boon for innovation because they force innovators to do what they should have been doing already. Some of the book's chapter titles provide our general viewpoint for how to approach innovation during times of constraints and high uncertainty ...

**Prune Prudently ...** Take a hard look at what is in your innovation portfolio. Cut at least 50 percent of it. Your resources need to be focused on places where they can have the greatest impact. You should have done this already; you need to do it now.

**Re-feature to Cut Costs ...** Doing more with less requires deep customer-centricity. After all, you can't do more with less until you can define what more means. That means figuring out the job to be done of the customer (employee, stakeholder, channel partner).

**Master Smart Strategic Experiments ...** It never has been easier to experiment, which makes it even more important to do it with the proper discipline. Like a good scientist, start with a

hypothesis. Design an experiment with clear objectives. Make a prediction about what you think will happen. Test in a way in which you can measure and assess your prediction. You never know for sure, so have HOPE (hypothesis, objective, prediction, execution plan).

Share the Innovation Load ... People think successful entrepreneurs seek out risk. That's not right. Successful entrepreneurs smartly manage risk by sharing it as widely as they can. Now more than ever, companies should embrace open innovation and find smart ways to collaborate.

## IMPACT ON INNOVATION

*What is the outlook for corporate innovation post Covid-19? Do you think innovation under recession is easier or more difficult than during better times? Do you have any stats that compare companies that cut to companies that innovate?*

One should always have a degree of wariness of predictions made in the middle of a highly uncertain situation, but, with that caveat, here are three predictions (about which you can be appropriately wary).

1. The discipline of innovation is grounded in smartly managing strategic uncertainty. As such, as executives recognize the multifaceted uncertainty in today's world, the importance of innovation as a tool will only go up.
2. As noted above, there are ample reasons to believe that innovation can be easier under a recession, because scarcity forces behaviors consistent with successful innovation. Of course, there is a tipping point where scarcity becomes starvation and the need for pure survival crowds out innovation. That's why it is so important for leaders to make sure they **flatten the economic curve** to maximize the ability to not get overwhelmed by short-term issues.
3. History shows clearly that those that manage that tension and can keep a focus on innovation will reap significant rewards. Separate studies by **Gartner** and **Bain & Co** each showed that investment in innovation and new growth in the last recession was at least one factor that caused breakout performance.

## IMPACT ON LEADERSHIP

*Should companies combine a future back mindset with an anti-fragile mindset? Any input or opinion about how leadership will have to evolve? How can you look at the landscape to see around corners? Do you have any approaches or resources you recommend for effectively keeping your ear to the ground and identifying the note-worthy emerging trends, disruptive trends, or exposed fault lines?*

**The Silver Lining** attempted (and failed!) to brand the aftermath of the global financial crisis

“the great disruption.” The basic idea was that we are entering an era where the new normal would be constant change. Indeed, the first two decades of the 21st century have seen the September 11, 2001 terrorist attacks, regional wars, the rise of populist leaders, the emergence of social media and asset-sharing platform, trade wars and pandemics (SARS, swine flu and Covid-19). And further advancements in distributed ledger technologies, artificial intelligence only promises more disruption ahead. There are three implications for leaders.

First, as our own Mark Johnson and Josh Suskewicz argue in their new book *Lead from the Future*, leaders need to spend more time actively exploring the future. That doesn't necessarily have to be a “vision quest.” As the great science fiction writer William Gibson once said, “the future has already arrived, it just isn't very evenly distributed.” Spending time with startups, in university labs, with younger consumers or employees or with artists and hackers all are ways to get an early view of potential disruptive trends.

Second, leaders need to make sure their innovation muscles stay sharp. The behaviors that drive innovation success, such as curiosity, collaboration and a willingness to experiment, come naturally to children. However, those muscles wither as children learn there are right and wrong answers to tests and right and wrong ways to do things inside organizations. Leaders should let go and bring back the innovator inside of them. Get out of the building and explore. Spend time with customers. Take conscious risks. Embrace intelligent failure.

Finally, leaders need to develop their ability to confront the existential paradoxes that will increasingly characterize their lives. Adult development pioneer Robert Kegan calls people who have the ability to step out and take multiple perspectives “self-transforming,” and it is a vital skill for tomorrow's leaders. There are no short answers for how to develop the skill, but in a recent MIT Sloan Management Review [article](#), I and my co-author Michael Putz argued that embracing mindfulness and related practices is one way to help leaders to strengthen their ability to confront paradoxes.

I hope you find these answers to be helpful. Please see [our website](#) for further resources for how to navigate the Covid-19 disruption.

## ABOUT INNOSIGHT

Innosight is a strategy and innovation consulting firm that helps organizations navigate disruptive change and manage strategic transformation. Now a member of the Huron Consulting Group, we work with leaders to create new growth strategies, accelerate critical innovation initiatives, and build innovation capabilities. Discover how we can help your organization navigate disruption at [www.innosight.com](http://www.innosight.com).