Disruption by Design
Agile strategy for the new world
2016
By integrating analytics, digital and innovation, organizations can set their strategy in real time—empowering them to dynamically respond to market disruption.
In recent years, disruption has become a pervasive theme in business. Political volatility, mounting regulatory requirements and currency fluctuations continue to create market uncertainty. Competition is also reaching unprecedented heights. Combine several years of flat economic growth with a proliferation of online innovators, and traditional organizations find themselves competing for the same (or fewer) consumer dollars. At the same time, customer demands are spiraling. All the stories about customers expecting real-time access to your products and services, intuitive experiences that evolve dynamically based on their needs, and on-demand, user-friendly, up-to-the-minute information are not just stories. They’re the new reality.

Without doubt, these forces challenge the underlying assumptions used to set strategy. Despite this, few organizations have changed their strategic approaches. Many continue to create three- or five-year strategic plans that are often outdated before they can be implemented. This puts them at risk of losing market share to nimble competitors capable of shifting direction in response to real-time market conditions, economic disruptors and consumer demands.

To keep pace with these changes, organizations require greater levels of strategic flexibility. Some have tried to achieve this by investing in analytics, digital and/or innovation. In essence, they use analytics to access information about real-time market shifts and consumer trends, positioning them to make more informed business decisions. They use digital to automate their responses and empower customers and employees to interact with them however, whenever and wherever they choose. And they use innovation to reimagine their approach to business so they can respond to existing and emerging disruptors with greater agility.

To be sure, each of these capabilities delivers benefits on its own. However, to unlock their full potential, analytics, digital and innovation cannot operate in organizational silos. Instead, they should be integrated to drive business strategy—positioning you to proactively disrupt your business rather than falling prey to external disruptive forces. That’s what Disruption by Design is about.
What is Disruption by Design?

At its core, Disruption by Design is about maximizing strategy development by unifying your approach to analytics, digital and innovation. Rather than setting up siloed digital labs, innovation centres and analytics programs that operate peripherally to the organization, you turn these functions into the driving force behind your strategy by converging and merging them. Essentially, you use digital channels to capture real-time information, draw insights from that data using analytics and use the resulting input to devise new, innovative strategic approaches. This empowers you to respond to disruption in real time, rather than reacting defensively to unanticipated market shifts.

Test, measure, learn, fail, scale

The key behind Disruption by Design is to avoid hinging strategic development on either past observation or guesses about the future. Instead, the aim is to develop strategy in real time based on current market realities. Rather than committing to one long-term strategy and suffering the repercussions of it going sideways when your base assumptions are off-target or when market conditions change, you gain the facility to test multiple strategies, measure their effectiveness and learn from your successes (and mistakes). That way, if an individual strategy fails, you can quickly mitigate risk by adjusting it on the run. And if a specific strategy succeeds, you can scale fast to capitalize on your market lead. While strategy remains a moving target, you can rapidly adjust in response to evolving inputs that let you keep the finger on the pulse of changing customer preferences, market conditions and competitive forces.

Silo'd business approach

Real time
Customer apps
Customer experience
M2M
Internet of Things (IoT)
Exponential technologies
Artificial intelligence

New way of operating

Greater user experience
Customer journey
Social
Mobile
Cloud for customer interaction
User x design
Design thinking
Experiential design
Ecosystem

Issues with operating in the traditional business fashion

1. Inertia
2. Siloed thinking
3. Outmoded models
4. Skills gap
5. Weak communication
6. Parallel initiatives/objectives
7. Disparate management
8. Disparate processes
9. Minimal shared insights
Disruption by Design
| Why now?

The disruptive forces that drive today’s economy are not going away. Business enablers—such as digital, mobility, analytics, social networking, and cloud computing—are fundamentally changing the way customers behave and companies operate. With each passing year, consumers become more digitally-active and informed, and shifting demographics demand new approaches to building customer loyalty. This is getting harder to deliver in an age where products—and even service experiences—can be easily copied.

This mandates organizations to do more than implement a social media strategy, set up a call centre or extend their services through mobile channels. It requires a cohesive strategic response—one that mirrors the omni-channel approaches many retail organizations have already adopted.

Outplay, out-compete, outperform

Disruption by Design was conceived to support, enable and accelerate this process. By converging analytics, digital and innovation, you can gain the integrated view you need to make more informed strategic decisions in response to evolving market conditions—heightening your ability to effectively compete.

In this way, you can outplay your peers by using analytics to drive greater insights across the business—whether that means focusing on specific products, geographies or customer segments or by taking your supply chain, asset or employee engagement strategies to the next level. You can out-compete not only existing competitors but nimble incumbents by using digital to interact across multiple channels in more meaningful ways—anywhere, any time and on any device. And you can outperform the market by engaging in truly innovative behaviour. This type of fluid approach allows you to pivot your strategy in response to real-time insight, replacing the three-year strategic plan with a flexible framework that can be measured, refined and retooled month-to-month—or even week-to-week.
What are the roadblocks to success?

Given the pace at which change is happening, organizations cannot afford to sit on the sidelines while world forces shift. Notably, it is possible to gain a sustainable strategic advantage by adopting a unified approach to analytics, digital and innovation. To overcome the roadblocks, however, you need to understand them. Here are some of the primary reasons organizations continue to resist essential change:

**Inertia**

Despite recognizing the downside of setting strategy in a silo, many organizations still fail to integrate their analytics, digital and innovation initiatives due to inertia. In some cases, that’s because they’re uncertain about how to get started, how to create a business case for change or how to win buy-in from their bosses or teams. In other cases, they may be uncomfortable initiating change or replacing the old with the new. Regardless of the justification, inertia keeps them stuck—heightening their going concern risk.

**Siloed thinking**

Another key roadblock to Disruption by Design is the organizational tendency for internal teams to work on parallel problems in silos, with no enterprise-level coordination. While analytics, digital and innovation teams individually try to address evolving customer expectations, lack of integration prevents them from truly understanding the issues that arise at each stage of the customer journey. This siloed thinking makes it virtually impossible for executives to resolve—or even frame—organization-wide strategic questions, interfering with their ability to identify strategic priorities or allocate resources appropriately.

**Outmoded models**

Before businesses can break down their functional silos, they need an organizational model that can accommodate this direction. Today, however, many operating models remain too linear to enable this level of collaboration. Notably, this is less an issue of organizational design and more one of culture. It calls into question the way organizations often set and forget strategy or develop business plans they don’t execute on because they don’t work.

At its core, this can be traced to the fact that—despite lip-service to the contrary—executives rarely encourage a truly risk-free environment and virtually never teach their people how to properly fail—hampering from the outset their likelihood of making strategic breakthroughs.

**Skills gaps**

To engage in Disruption by Design, organizational skill sets also need to change. Rather than telling their employees what to do, leaders need to disperse ownership among their teams, empower their people and trust in the resulting process. For their part, teams must increasingly be composed of “purple people”—those that bring not only technical skills to the table, but also communication skills, business acumen and political know-how. Without this talent set, organizations will continue to struggle to both create the right mindset for strategic change and drive the process forward.

Pressure may come externally from customers, shareholders, end users and nimble competitors. Or it may come internally, from splinter groups within your own organization no longer willing to wait for top-down change. No matter where it originates, one thing is certain: you can’t respond in incremental ways and expect exponential results. The time has come to revisit your organizational approach to today’s disruptive forces.
How to make it work

To overcome these roadblocks, organizations need a roadmap. Here are the elements that can help you succeed at Disruption by Design:

Implementing Disruption by Design

Disruption by Design requires a seismic shift in corporate mentality—one that recognizes that the traditional way of setting strategic plans can no longer deliver sustainable competitive advantage. The focus is not on predicting the path to the future. It’s on developing a process that is sufficiently flexible, fluid and agile that you can dynamically shift your strategy as the future unfolds.

A unified cyclical approach to these key areas of your business

In a converged approach to strategy development, analytic insights and digital are both inputs that drive strategy and outputs that drive innovation.

Strategic agility in action

One of the reasons digital disruption threatens traditional organizations is because it seems to come out of left field. In reality, however, the data that drives many of these businesses’ success is there for the taking. That was certainly the case for one technology company that set out to change the airline travel experience. Using sophisticated algorithms, the company analyzes billions of data points culled from historical flight information to predict when airline fares will rise or fall. With analytics driving its digital offerings, and innovation empowering it to deliver a seamless—and constantly improving—customer experience, the company provides a stellar example of Disruption by Design.
Get collaborative
The whole idea behind Disruption by Design centres around the belief that it is no longer feasible to create groups off to the side that focus on discrete analytics, digital and innovation projects. While these groups may deliver creative outputs, they are too isolated to spur organizational change. Rather than putting a bubble around these groups or treating them as organizational outliers, it’s time to bring their capabilities into the organization at scale.

This begins by clearly determining your objectives with regard to your customer experience, and ensuring they align with your overall business strategy so you can collect the right data to guide your decisions. This isn’t about deciding what app to create or what technology to leverage. It’s about identifying how to rethink the future of your business to compete in the digital era, and assessing how that future may impact every corner of the organization—from corporate strategy through your supply chain, of the organization—from corporate models and technology architecture.

Start a controlled brush fire
To create fluid, collaborative teams that are encouraged to experiment and take risks, leaders can’t simply tell people what to do. Instead, they must become executive champions—providing teams with the money, resources and cultural support they need to fail with impunity. Critically, this doesn’t mean encouraging people to take unreasonable risks. Instead, it’s about starting a controlled brush fire—allowing risk-taking to happen in a contained environment where project failure doesn’t translate into business failure. While there is no formal structure required to get this done, cultural approaches do exist that can help.

These include:

• **Design thinking.** Design thinking is a problem solving methodology that encourages teams to brainstorm a range of unconventional ideas culled from a wide variety of sources. Instead of bogging you down in a formal strategy-setting process that often fails to yield innovative ideas, this discipline gives you a flexible way to generate new strategies in response to constantly evolving customer expectations and needs. As a result, you can constantly test new strategic options, measure their results and learn from their mistakes and failures—all in real time.

• **Experiential learning.** There is no better way than learning by doing. This is why organizations that embrace experiential learning tend to foster more collaborative, intuitive and flexible teams. The key from a management perspective is to provide teams with the oxygen they need (i.e., resources, cultural support) to start a controlled brush fire, and then get out of the way. By giving people a safe environment in which to take controlled risks, you can help take the stigma out of failure—thereby fostering a culture of innovation, experimentation and risk taking. This is about teaching people how to fail ‘properly’—by working in a test environment, experimenting in minor ways, learning from failure when things go wrong and scaling fast when things go right.

• **Rapid prototyping.** Another approach that supports Disruption by Design is the willingness to test multiple concepts with short-term campaigns targeted to specific groups. The key is to engage in short pieces of work that validate your direction and demonstrate you are creating value. It’s not about making big up-front investments and waiting years for them to pay off. It’s about starting small, failing fast and building capability as you go. Instead of investing millions in a special project, bootstrap. Rather than taking six months to set up governance models, take a lean startup approach. Pick a use case, constitute your teams without regard to traditional silos, pilot in a sandbox environment and scale up fast.

What is design thinking?
Popularized by David M. Kelley and Tim Brown of IDEO and Roger Martin of the Rotman School, design thinking has three major stages:1

1. **Invent a future.** Rather than setting strategy based on observations of past customer behaviour or on instinct about potential future behaviour, this is about observing customers in action—in real time—to gain an understanding of what they want but don’t have.

2. **Test.** Based on these observations, rapidly roll out a product or service this is not perfect, but is ‘good enough’ and test how customers respond. Dynamically adjust price points, brand positioning and store displays to determine what resonates most with customers.

3. **Bring it to life.** Once you identify a winning product or service, define the activities, capabilities and resources required to produce and sell it.


Strategic agility in action
In many ways, the whole concept of disruption begins with mastering the art of the possible. Consider how the taxi industry has been reimagined. The new leaders in this space began by creating an entirely new strategy designed to help them out-compete traditional players. Using analytics, they are able to crowdsource drivers and adjust fees based on time-of-use patterns. Digital bolsters this strategy by enabling them to offer a host of real-time solutions in response to shifting customer demand. A truly innovative mindset also ensures they can create a constantly-evolving, interactive and compelling customer experience that meets shifting customer expectations—with features such as automatic fare calculations, driver rating systems and new carpooling options, to name just a few.
Activate almost-unicorns

Back in the dot-com days, the most successful tech startups were often piloted by unicorns—visionary leaders who possessed near-legendary mixtures of critical skills. Fortunately, Disruption by Design does not need to be led by unicorns, especially when organizations have the capacity to activate ‘almost-unicorns’.

Who will make this happen?

The key is to seek out people across the organization who are:

- **Culpable**: Assume accountability to deliver measurable results
- **Charismatic**: Able to influence and inspire others
- **Courageous**: Bold enough to champion untested ideas
- **Curious**: Ask questions, are open to learning and don’t assume they have all the answers
- **Collaborative**: Work top down to engage others and bottom up to test, measure, learn, fail, scale

At the same time, team structures must also change. In addition to engaging digital natives, who understand design thinking, lean processes, agile methodologies and innovation, properly-constituted teams must also include change managers, political navigators and senior executive influencers capable of sharing ownership, challenging the status quo and making meaningful strategic shifts.

Disruption by Design in action

There was a time when financial institution expansion necessarily translated into building new brick and mortar branches. For one Canadian financial services provider, however, that decision wasn’t a foregone conclusion. Using analytics to understand its customers’ preferences, the company concluded that a digital offering would best meet its customers’ needs. In response, the organization decided to launch a digital only bank from the ground up. By aligning the initiative with its business strategy, relying on analytic insight to build an innovative customer experience and continually refining its approach in response to real-time data, the company went from concept to rollout in only 18 months.
Bringing it together

Disruption by Design requires a shift in corporate mentality—one that recognizes that the traditional way of setting strategic plans can no longer deliver sustainable competitive advantage. The world is changing too fast for you to know your way to the end point at the start of the journey. The focus, then, is not on predicting the path to the future. It's on developing a process that is sufficiently flexible and agile that you can shift your strategy as the future unfolds.

This skill set is becoming increasingly imperative as disruptive forces all clamour for attention at the same time, stymieing organizational efforts to get strategy right. The strategy paradox is that strategies with the greatest possibility of success also have the greatest possibility of failure. Ultimately, even good companies will be doomed to mediocrity if their strategies can be easily imitated by others. True differentiation requires you to tread where no one has gone before— and where the path closes behind you.

That’s precisely what Disruption by Design equips you to do—ultimately positioning your organization to create a differentiated, innovative and dynamic customer strategy, sales and channel strategy, revenue model, operating model, leadership approach and guiding culture. Any executive who can help their organization establish this kind of sustainable competitive advantage promises to leave a truly lasting—and powerful—legacy.

The (trans)formation journey

When most executives contemplate organizational transformation, they get understandably leery. That’s because transformation initiatives have historically been long-term, multi-million dollar journeys that tend not to pay off for years. That’s not what disruption by Design is all about.

Rather, think of it as a (trans)formation journey—one that focuses on the formation of new strategies, new capabilities and new operating models that deliver a rapid return on investment. The transformative aspects show themselves over time, as you begin to stack short-term successes one upon the other. The key, however, is the ongoing formation of dynamic, fluid and agile strategy alternatives that deliver measurable short-term results.

While you may not know where you’ll end up, this journey assures that—when you arrive—you will have the capacity to create innovative strategies that can be regularly revised based on real-time digital enablement and analytic insights.

This requires a new strategy dynamic—one that integrates a range of enabling capabilities such as design thinking, experiential learning, rapid prototyping, creative storytelling and analytic insights. Instead of writing a book that doesn’t change, you’re evolving your story as you grow. And it happens in real time, using insights to understand your successes and refine your approach each step of the way.

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