

Jump-Start Your Self-Disruption Journey

By Katie Hawkins, Stefan Sokerov, and Dan Sterling

A 10-step guide to launching a successful digital transformation strategy.

Digital technologies are increasingly disrupting industries across the globe. We have seen the introduction of technologies such as edge computing, blockchain, artificial intelligence, and the Internet of Things. We have seen Tesla disrupt the automotive industry, rideshare services disrupt the taxi and limousine industry, Venmo disrupt the financial technology industry, and so on. In some cases, the valuations of digital-only entities are even grossly outpacing those of legacy industry giants.

But what if you work in one of those legacy companies with established processes, organizational structures, partnerships, and physical assets that are hard or slow to change? How can you compete against the nimbler digital competition? It might seem like a daunting task, but as we wrote in the Fall 2019 issue of *The Jabian Journal*, the key to starting is recognizing the inevitability of change and getting your organization comfortable with the idea of reinvention and continuous improvement. Even more important, though, is that you don't waste time — the competition isn't slowing down, so it is imperative that you start today.

But how do you develop a digital transformation strategy? And where do you start?

Your digital strategy will likely fail, at least at the beginning. The key is to move from a “succeed/fail” mindset to a “fail/learn/try again” mindset. As long as you are learning and adapting, you are making progress. The key to starting is to quickly get something down on paper and begin socializing. The goal is not perfection but rather getting your organization moving in the right direction. To help you do this, we've developed a 10-step process that

leverages a series of digital disruption workshops companies can complete in as few as 16 hours, or two days. With the right preparation, you can guide your team through the process of getting a basic strategic framework down on paper and starting your digital journey.

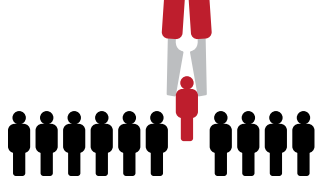
While it may not be your company's permanent digital strategy, the framework created using this guide will, at minimum, get the ball rolling and coalesce your team around:

A shared understanding of the challenges at hand and the risk of doing nothing

A set of options to consider and the inherent trade-offs involved

A preliminary plan to get started with homework that propels the team to the next stage

A word of caution: While the process can be completed in as few as two days — either consecutively or spread over a couple of weeks — it is important to keep the team moving and maintain high energy. This isn't a six-month process — get it done as quickly as possible.



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Pre-Workshop Preparation

1. Charter and select your team

It goes without saying that work of this importance must be chartered and sponsored at the highest level of the organization. CEO or C-suite sponsorship is critical to the initiative's success.

Assuming you've secured support from the top brass, the next step is to select the right team. In addition to knowing your industry and customers, you are looking for teammates with three key characteristics: creativity, intensity, and diversity of thought.

Creativity: These are folks who can envision the future and dream big — “What if Amazon entered our industry?” or “What if our industry didn't exist at all? Where would customers go for solutions?”

Intensity: People with a sense of urgency, spark, or firepower. This is not an academic exercise. If done properly, this work can influence your company's strategy for years to come. Find teammates with passion and intensity for the work — those who will show up in every way that matters.

Diversity of Thought: Stretch beyond your company's power structure and select a team with diverse experiences, keeping your end customer in mind. Perhaps some members from sales

versus operations, or channel versus direct. Maybe a mixture of tenured individuals with considerable industry experience and new employees bringing welcomed fresh perspectives. In the end, you want to create as diverse a team as possible, and one devoid of blind spots that can approach challenges differently and with an open mind.

Many companies choose senior-level executives and high-potential leaders for this important assignment. Other companies choose creatives, engineers, or folks outside the quarterly pressure cycle. Think about both and remember, while this “jumpstart” may seem like a sprint, it is just the first lap of what will be a marathon for your company. Don't dwell on making the perfect decision — recruit a team, get them excited, and then prepare them for the critical job that lies ahead.

2. Prepare your team

What can the team read to get their creative juices flowing, to get them dreaming, to worry them about the future if no action is taken? Look for articles, TED talks, videos, clips from analyst reports, justification for start-up valuations, etc., and begin sharing with the group. Similarly, brainstorm potential guest speakers — technology vendors, consultants, or industry analysts — who could share their knowledge. And be sure to engage

the team directly to see what materials they recommend reviewing. Remember, though, don't take too much time on this step — the clock is ticking.

Digital Transformation Workshop(s)

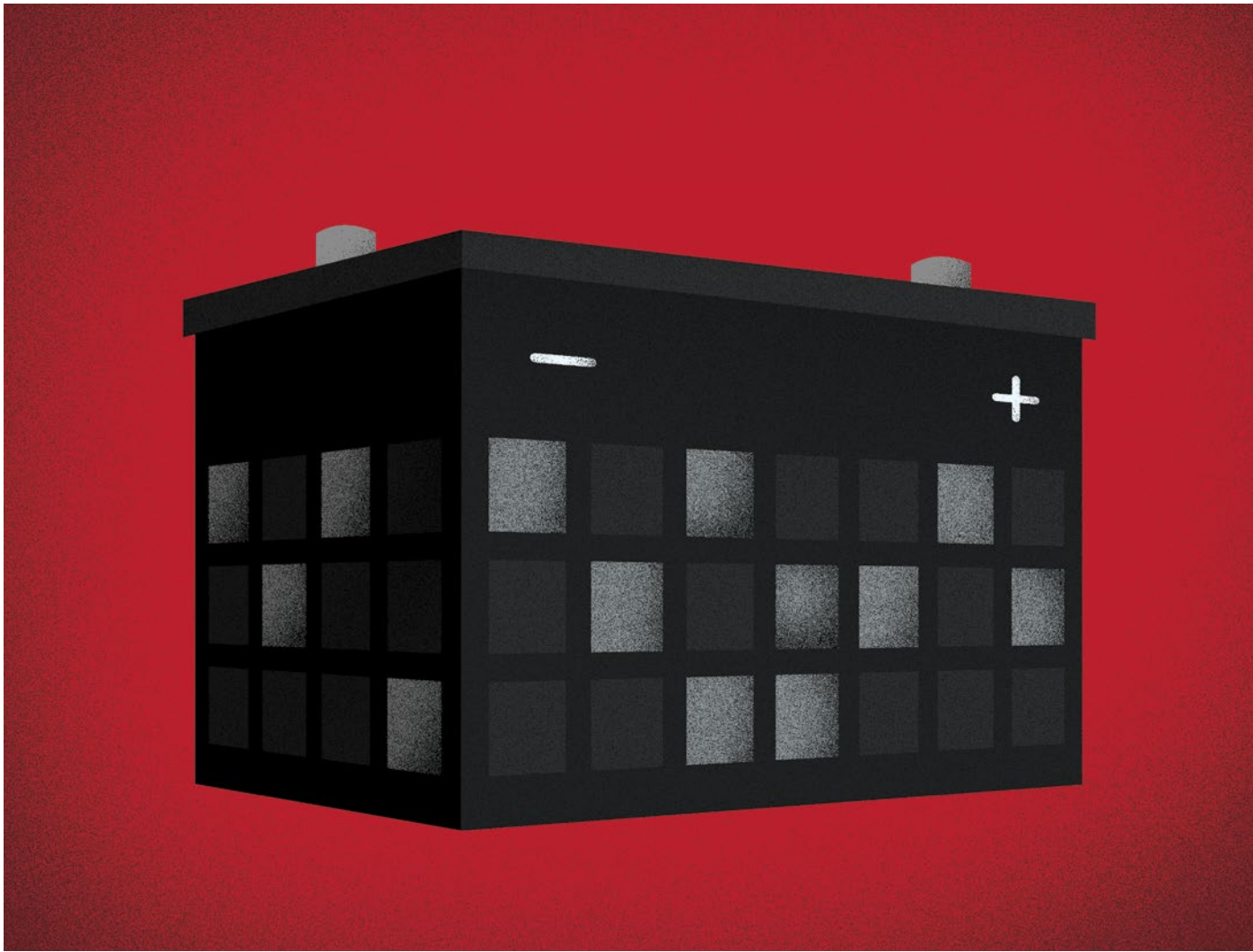
3. Align the team

(2 Hours)

The team is selected, and they've started preparing. It's finally time for the all-important first meeting. And you have two objectives:

First, align the team on purpose, process, and desired outcomes. Why are you here? How much time should each person invest? Allow each team member to engage in the conversation and ensure that everyone is heard. It is important that team members foster collaboration and refrain from “talking over” others. Don't be afraid to coach them or swap them out, if needed, as you can't afford for creativity and diversity of thought to be subdued by closed-minded team members. This team isn't a platform for one person's political agenda or career advancement.

Second, align the team on the problem statement. It is important that the group spend adequate time discussing and aligning on the current situation. For example, it may be that your company's sales are growing at five percent but there are new digital enterprises growing at a much higher



rate. Or perhaps your margins are declining and there is buzz around a new market entrant. The goal of this step is for the team to come to a common understanding of the challenge before you. Is disruption right on top of you, right around the corner, slowly simmering, or difficult to see? In many cases, revenue from potentially disruptive players is small if not zero. Don't wait until they have revenue comparable to yours to take them seriously because by then it is too late. Focus on other business signals such as their market value or money invested by private equity. Ask yourself why this is happening and what they are seeing that you aren't. From our experience in many industries, if you don't see a challenge lurking around the corner (if not right on top of you), take a broader look and challenge any assumptions. Make certain before you write off digital disruption.

4. Brainstorm scenarios

(2 – 4 Hours)

After completing the situational alignment, give the team a break — but assign them some light homework. Ask them to come back to the next session, a scenario brainstorm, with thoughts around how disruption may play out in your industry. Encourage them to think outside the box and stretch their brains.

Then, to conduct the brainstorming session, you will want the group to envision a scale — from “no disruption” to “total disruption” — and document different points along it. For example:

100 Percent Disruption: Disruptive players take over our markets and we are out of business in X years.

50 Percent Disruption: Disruptive players make a huge dent in the market; established players merge and slowly develop digital capabilities,

allowing them to maintain Y share of the market.

0 Percent/Minimal Disruption: Established players buy and merge with newcomers and the old-world order is maintained.

Ask the team to describe each scenario in as much detail as possible. Document what signals you would see from customers, suppliers, market participants, and investors that would indicate the scenario is coming true. For example, signals could include a new entrant's market share continually increasing or their losses improving, key staff members leaving, investors doubling down and increasing investment in a space regardless of profitability, etc. In addition to documenting signals, document both your company's and your competitor's options based upon past experience. And, finally, document what you think

each company would need to do to be successful — and what does successful even mean?

For example, imagine a car dealership evaluating the impact of Carvana on its business. What is Carvana's current business model and what are their stated objectives? If you extend Carvana's strategy out to its logical conclusion, what does the car sales and service universe look like? In these sessions, it is not uncommon for one or more participants to say, "Carvana will never take all of our customers, so we are fine." This is a dangerous way to view disruption. Why? What if Carvana takes your most profitable 20 percent of customers? Do you even know who your most profitable customers are? How does their profile align with Carvana's business model? These are all questions that need to be addressed by your team before moving to the next step. In many industries, even a small skimming of profitable customers can turn a business from exciting to dull, or worse.

5. Pick the winning scenarios

(2 Hours)

After discussing and documenting several scenarios at length, it's time to pick the winners. And that doesn't mean picking the company winners. No, it means selecting the scenarios that are most likely to come true based upon the existing market and the signals you're detecting from industry players and disruptors.

Since most companies can't initially plan for the possibility of multiple scenarios, can you pick one or two of the most likely winning scenarios? Or can you perform the same action(s) to mitigate risks and optimize opportunities across multiple scenarios? The goal here is to document the likely winning scenario(s) and outline the actions your company should take to "win" them. But remember, it is still a marathon — not a sprint. It is okay

to be wrong in this step, but be sure to get something down on paper. We are training the team to think differently about the market and competitors, and as you revisit this exercise in future months, it is likely that both the scenarios and winners could change. What is important is that your team's knowledge and skillset for digital disruption is growing and maturing.

6. Use game theory to predict the future — Part I

(2 – 4 Hours)

Once you've predicted the winning scenarios, it's time to use game theory to predict the future. Let's assume your industry has three major players, including your company, and you have identified two likely paths to disruption from new national start-ups or online agitators. The gaming step involves calculating how those players will behave in each of the one or two winning scenarios that you identified.

For example, if the scenario is "online auctions will commoditize your product," what will your largest traditional competitors do? What will the online players do? What should your company do? And, finally, if your company acts the way you expect, what will the competitive response be? It is important here to write the answers to these questions out for everyone to see and contemplate.

After discussing as a team, start to define what the industry looks like a few moves in. Are revenues growing or declining? What has happened to margins? Has a once-stable industry with predictable margins been thrown into chaos? Does a competitor's superior balance sheet suddenly look like a major strength?

7. Debate the strategic options

(1 – 2 Hours)

Naturally, there is a lot of uncertainty when trying to game out the future. Nobody has a crystal ball. The thing

to remember here is that the future hasn't happened yet — and as an industry player, your company can influence it. By considering the range of strategic options available to your company, you can select the path that most likely ends in you influencing and winning. How did the scenarios play out for your company? Are you seeing a path to "winning" or are there storm clouds on the horizon? Take Netflix, for example, and their past choice to focus on streaming content rather than mailing DVDs. Or Borders and their past decision to focus on physical books and stores rather than online sales and e-readers.

This is where you need to go big, cast limitations aside, and come up with a wide range of potential solutions. At this point, all options are on the table. Could your company merge with or purchase its largest competitor? Should you sell to one of the disruptors? Sell a division and pay off debt? Buy a minority stake in a start-up? Create a start-up fund and begin to incubate businesses designed to make your company irrelevant (but you own them, so it is okay!)?

Once you understand which scenarios might play out, and how each participant is likely to behave when they do, it's much easier to figure out what your company can do to "change the game." This is an extremely important step. You aren't looking for an incremental change here — you are looking to inoculate your company against disruption storms, or you are looking to become a disrupting force of nature yourself.

8. Use game theory to predict the future — Part II

(1 – 2 Hours)

With your company's strategic options now defined, it's important to revisit the crystal ball. Why? Because assuming you did something bold, unexpected, and/or

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industry-transforming, you'll need to think about how the scenarios play out. How do your actions change the other players' moves? How do those moves impact you? By now, you should be seeing the iterative nature of this exercise. Those iterations are important, and they are never-ending. Circle back to step number six and walk through the exercise again to see what, if anything, has changed given your company's strategic actions.

9. Summarize the message

(4 Hours)

Congratulations! At this point, you have an initial understanding of the likely disruption of your core business. But now comes the hard part — summarizing the message and making the results digestible for the decision-makers in your organization. It is critical that the team identify the key decision-makers to influence, craft a message that will resonate, and outline how best to communicate your strategic plan. It is time to put your change management hat on and determine how best to effect change in your organization.

This work was just step one. There will likely be lots of pressure testing, evaluation, and questioning of your strategic plan before much progress is made. However, what you have quickly achieved is creating alternative views of the future and how best to prepare your company for what could be lots of opportunities and/or challenges ahead.

Post-Workshop Action

10. Gather feedback

Finally, with your summarized message and socialization plan in hand, it is time to gather internal feedback from the key decision-makers in your company. Is the message resonating? What needs adjusting? Where probing questions are asked, do you have the answers? Make sure to socialize the work broadly and be open to criticism and engagement.

Based upon what you've discovered and the feedback you have gleaned, determine how the work should proceed. Should this working team continue to meet regularly to expand, engage, and inform? Should you set up a transformation office? Or perhaps shift the work to an internal strategy team? There are many paths you can take, but you now have a starting point and must ensure the learnings and opportunities that resulted from this process are woven into the way your company operates. We suggest building and executing against a realistic roadmap consisting of key initiatives to achieve this while continuing to repeat these self-disruption steps on a recurring basis.

Remember, your strategic framework is not a silver bullet for your company's digital transformation journey. And this isn't a one-time process — it is iterative. So, how should you proceed? With agility, curiosity, and with intensity. ➤

Katie Hawkins

katie.hawkins@jabian.com

Stefan Sokerov

stefan.sokerov@jabian.com

Dan Sterling

dan.sterling@jabian.com