



Scorched-Earth Strategic Thinking for Covid Times

“Disrupt yourself first” is so five years ago. The new motto is “Burn your company to the ground then rebuild it.”

Covid-19 has rapidly bent, if not broken, virtually all certainties about business – from the reliability of global supply chains, to the necessity for co-workers to inhabit the same physical space, to the separation between public and private sectors in liberal democracies. Campbell’s soup, of all things, is **making a comeback**.

We don’t know how long the crisis will last, but even the most optimistic projections say that we’re in for many more months of wrestling with the virus. And the broader ramifications are likely to be with us for significantly longer, as waves of externality effects ripple through economies across the globe.

Companies’ usual lines of defence against disruptive technologies and adverse events – which were already showing their age before the pandemic – are patently inadequate to handle this new world order. Incremental thinking due to blinkers from the past cannot create a future-ready organisation in today’s world. INSEAD professors **Ian C. Woodward**, **V. (Paddy) Padmanabhan** and **Sameer Hasija** have designed a paradigm to help companies rise to this era’s **wicked challenges**. At the heart of it is a simple idea: The essence of disruption-ready leadership is being able to ruthlessly identify current weaknesses, envisage destruction of the current business model and then rise, phoenix-like, from the ashes with a vision of

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renewal. Hence, the method’s title: “The Phoenix Encounter”.

Over the last few years, Woodward, Padmanabhan and Hasija have run highly successful “Phoenix Encounter” field trials involving over 1,500 senior C-suite executives of firms spanning the globe and a broad range of industries. Many of these trials resulted in a fundamental revision of the strategies of organisations such as banks, agricultural conglomerates, retail chains, engineering equipment manufacturers, healthcare providers, utilities, insurers, to name a few.

They have expanded the method into a **book of the same name** (co-written with management author **Ram Charan**) so that companies everywhere can learn how the “Phoenix Encounter” method works in practice. Below are some fundamentals; for a more thorough presentation, consult the recently released book.

A three-stage journey

Developing the muscle memory needed for genuinely disruptive innovation can’t happen in one go. Therefore, the professors laid out a three-stage journey, centred on a dramatic Encounter Battlefield wargame, wherein leaders are forced to actively participate in the devastation of their organisation,

business unit, government agency, etc.

The exercise is designed to be tackled in groups of four to seven people, in addition to a facilitator who directs the action. The composition of these “PEGs”, or Phoenix Encounter Groups, is all-important. In the classroom exercises, which are attended by leaders from various organisations, the professors strive to maximise diversity within each team, rather than group people representing similar industries or sectors. The idea is to achieve the widest possible range of perspectives.

In building a PEG at your company, you should follow the same principle. Choose people from vastly different silos or business units, perhaps even different management levels, so that disparate perspectives can be brought to the table. For optimal results, consider adding external stakeholders such as customers, suppliers, investors and regulators.

The first stage: Groundwork

Before setting fire to the status quo in the second stage, participants should each thoroughly assess the organisation as it currently stands – the good, the bad and the ugly.

Throughout the journey, leaders are encouraged to keep a journal to capture questions, insights and breakthroughs as they happen. Key journal entries from the first stage should include an initial status reflection and briefing for the organisation (current vision, mission and strategic priorities, business models for value creation and capture, etc.). A standard SWOT analysis should be a part of this. When the organisational assessments are shared and compared among the group, a detailed, warts-and-all portrait of the company emerges.

Each participant should also complete a more introspective assessment of their own mindset and attitudes towards disruption. A helpful assignment can be to ask participants about leaders they admire, which should lead smoothly into a discussion of the attributes that enables some leaders to thrive on disruption, while others flounder, and what might be the implications of this for their own leadership agenda.

Finally, participants can prepare to enter the Encounter Battlefield by proactively scanning the external landscape of emerging technologies and other trends. The aim is not to perform standard intelligence gathering, but to cast a much wider net encompassing the current and evolving forces of disruption that could conceivably destroy their organisation, or be leveraged for its defence. A Phoenix-like leader scans well beyond their own industry and geography.

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The second stage: Battlefield

Now, the conflagration begins. First, each team is given an igniting scenario (e.g. they are poached by a competitor, perhaps even a new outfit, aiming to destroy their organisation or even obliterate the whole industry). In this stage, teams proceed to develop and deploy an arsenal combining innovative contemporary firepower (emerging technologies, business model innovation, digitalisation, platforms, ecosystems, societal shifts, etc.) to entirely demolish the organisation – on paper, naturally.

For example, Amy, one of the PEG participants, was a soon-to-be CEO for a large British private-hospital and retirement care business that we will call Horcomp PLC. Although Horcomp had seen growth of 30 percent in the preceding five years, the Battlefield phase brought to light the company's hidden vulnerabilities. In playing the role of disruptive competitor, Amy discovered that a tightly integrated digital healthcare ecosystem could conceivably supplant Horcomp's physical facilities. Her hypothetical disruptor would also deliver lifestyle wellness services, social networking for seniors, convenience-boosting tech such as drone delivery of medication and various leisure activities via strategic partnerships and lobby regulators to break up healthcare conglomerates. With its all-digital agility, this imaginary but entirely possible start-up would make the earthbound Horcomp look ripe for extinction.

After the organisation as it currently stands has been reduced to smouldering ashes, teams must come up with a commensurate plan to rebuild. This requires a transition in thought that the professors call “turning the wheel”, a mindset shift from destruction to rebirth.

Amy's short-to-medium-term defence for Horcomp consisted of convening a cross-silo team with a three-fold mission: knowledge sharing and partner identification in the digital, technological and healthcare spheres; launching a pilot project to explore brand-new service ideas with consumer input; and identifying promising young digital-savvy employees for leadership opportunities. “We should assess our talent against our future requirements, not our past,” Amy concluded. She also recognised that Horcomp's marketing had failed to highlight core brand advantages such as its level of personalised care, which a digital upstart would be highly unlikely to match. Finally, she envisioned lobbying the UK government for stricter regulatory oversight on companies without dedicated healthcare facilities.

The third stage: Breakthrough

Immediately after finalising their defence plan, teams are advised to prepare a future-facing blueprint covering both the big picture (via an updated future-looking SWOT for the transformed business model) and the nitty-gritty details that will make or break the change initiative. This encompasses new strategic leadership and organisational priorities, action items for executing short-, medium- and long-term plans, etc.

With the blueprint completed, it's an opportune moment to reintroduce any analytic frameworks or methods the organisation has adopted, such as Blue Ocean Strategy or quantitative analysis. These can help generate additional perspectives and stress-test the plan as it takes shape.

Fired up from their fresh experiences on the Battlefield, participants may want to change everything all at once. But that's a recipe for burn-out. Instead, they should focus on the first hundred days post-Encounter, identifying three action steps that can be taken in that timeframe. Immediate and short-term actions may include engaging stakeholders, earmarking resources, initiating pilot projects and conducting a deep-dive analysis.

Over the medium- to long-term, they can build up to more decisive actions such as acquiring new partners or competencies, monitoring progress and revamping organisational culture.

Post-Encounter steps

To revisit the Horcomp example, imagine Amy's surprise when, only a few weeks after returning from her Phoenix Encounter, her chairman informed her that an activist investor was pushing a programme of radical changes within the company that eerily echoed the Extreme Attack she had just been through. Her confident reply: "We need to talk. I've got a lot of ideas to share."

Amy knew she would have to pick up the pace of her long-term action plan. She convened an in-house PEG within the senior leadership team, and wisely convinced the retiring CEO not to take part in it. Within one year, Horcomp built a pilot ecosystem for providing whole-of-life care, with the help of a digital partner. Taken together, the pilot projects produced service improvements that reduced costs by 10 percent. Other positive developments in that first year included: an AI-based patient monitoring system, a partnership with Apple to create health apps as well as increased talent retention across the board. Horcomp also began talks with governments and insurers to advocate for tighter industry regulations focusing on trust and safety of health and life care.

Accelerating the destruction

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In the midst of the Covid-19 pandemic, a great many organisations are trying to claw their way back to "normal" – whatever that means. Woodward, Padmanabhan, Hasiya and Charan would instead recommend that they lean into the large-scale disruption the coronavirus has unleashed. The "Phoenix Encounter" method is an example of the sort of unprecedented thinking companies will have to adopt if they aim to withstand the storms on the horizon – and come out on top.

For more information, read the recent article in ***Sloan Management Review*** by the four authors of ***The Phoenix Encounter Method***.

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