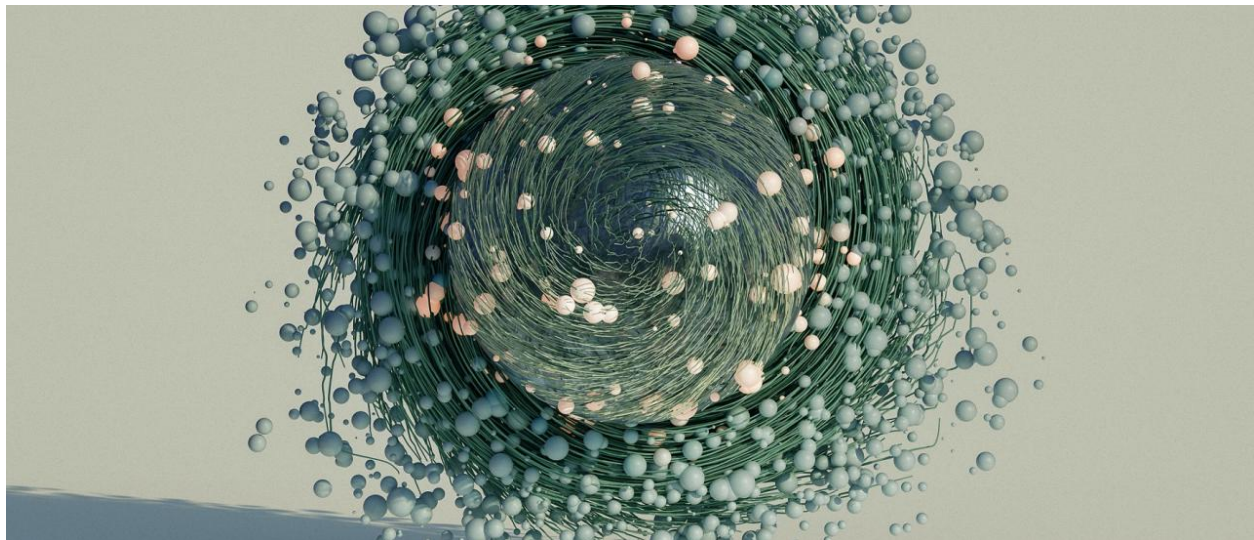

How to Design for Disruption



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Why a structured approach can turn a volatile world into a growth opportunity.

Geopolitical tensions, supply chain breakdown, climate change, the rise of AI and a growing risk of inflation-driven recession are leading to a period of extreme disruption.

For many leaders, this uncertainty is viewed through the lens of caution and constraint. Plans for evolution and revolution take a back seat as organisations opt to pull up the drawbridge and wait for the dust to settle. That seems to be the most common refrain in the business community and in news articles.

We disagree and argue that if business leaders and their organisations really want to stay relevant (and profitable), then they need to embrace the concept of D-VUCAD (disruption, volatility, uncertainty, complexity, ambiguity and diversity). They should see disruption as an opportunity and not a limitation.

Disruption to a market can be devastating for a company, just ask the likes of Kodak, Nokia or Xerox, but it can also promise tremendous opportunities

for those agile enough to take advantage of this brave new world.

Unseen opportunities

Being agile means converting an outcome of uncertainty and turning it into an opportunity that helps the organisation grow. For example, one consequence of the Covid-19 pandemic was a dramatic shift from using public transport to private cars. Yet, people still wanted to stay connected and remain social while travelling.

This demand for social interaction from the comfort of your car presented an opportunity. A potential opportunity that Marelli, the Italian manufacturer of automotive components, identified early and built on in new and inventive ways. Their **innovations** included putting touchscreen display screens in the side panels of vehicles, allowing passengers to easily stay connected while on the move. The company's agile and pioneering approach means they are now well placed to benefit from an opportunity that arose from an unexpected disruption.

But how can a company plan for the unexpected? While we understand the paradox, it is clear that being passive is not an option. To stay relevant in the D-VUCAD landscape, companies need to actively design for disruption, formulating and embracing strategies that help them become more flexible and agile.

Changing markets

In an ever-changing world, organisations have to move beyond existing certainties and norms. Companies need to reinvent themselves every decade or so to align with emerging realities and changing revenue and profit pools. As described in ***The Phoenix Encounter***, a book Sameer Hasija co-authored, this process involves identifying threats that may transform existing markets and developing strategies to build back your business afresh.

Take the example of L&T Technology Services (LTTTS). The leading engineering research & development (ER&D) services company is looking to do business in a D-VUCAD world where the pace of technological innovation has already begun to impact and transform their traditional markets.

Add to this the pandemic-induced shifts caused by the flux of independent contractors (gig workers), a new work from home culture and disruptions to

travel and in person communications, and it becomes clear that the way organisations have been doing business over the last 100 years has changed, perhaps irrevocably.

However, this dramatic upheaval should be viewed as a potential opportunity. After all, the global demand for ER&D is predicted to grow at an annual rate of 12-13 percent to reach US\$75 billion by 2025.

As the world spends increasing amounts on new technological solutions it is vital that engineering services companies pivot to a higher level of customer centricity to stay relevant and ahead of the competition.

The new reality for the ER&D industry is that clients are no longer judging organisations by the products or services that they can deliver but by the experiences that they offer. Dr. Richard Soley, Executive Director of Cloud Standards Customer Council, an end-user advocacy group explains it this way: “Companies [are beginning] to buy outcomes, and not [just] the products that deliver them.”

Perhaps the first step in driving that change is a revitalisation of the mission, vision and values charter of an organisation, enabling it to focus on the fundamentals. In the case of LTTS that meant a move towards a cultural transformation that had a greater focus on partnering with their stakeholders to deliver inclusive growth for everyone, while also highlighting the importance of people in the innovation process.

Pick your bets

So how does an organisation succeed in this D-VUCAD environment? Start by building any reinvention around your core business model. Look at the trends that could or are already impacting your industry and decide which of these are going to be the most important to your organisation and also your customers.

Picking the right bets is not always easy, but if you get it right it can open up huge untapped opportunities. A good example of this is the American tech conglomerate Cisco. Around seven years ago, Cisco was convinced that the Internet of Things (IoT) was going to be a key trend and dedicated significant resources to become a pioneer in what was at the time a nascent technology.

In 2020 the industrial IoT market size was valued at US\$ 216.13 billion with a predicted annual growth rate of 22.8 percent from 2021 to 2028. Cisco has market share of nearly 15 percent. Rather than wait for the market to grow Cisco decided to help create the market. A good organisation is adept at fishing in a pond, a great organisation creates a brand-new pond to fish in.

Choosing the right technology

Identifying, adopting and implementing the right technology can be a key differentiator here, one that helps organisations attract and capture scarce mindshare in the D-VUCAD world. As companies continue to scan the global landscape for new opportunities, focused investments around these game-changing technologies can help unlock new growth trajectories.

Microsoft is a good example of this in practice. The tech giant's transformation into a leader in cloud computing has been well documented but it was actually only a small part of their business just a decade ago. Microsoft's leadership had the vision and focus to reinvent the organisation and back a potential technology trend that could positively impact the group's business in the long term.

The reality is that it can be hard for leadership teams to develop a growth mindset unless they are challenged and dealing with disruption demands a growth mindset.

Of course, we shouldn't forget that choosing a technology is always a bet. How you choose to make it, and the way you drive it forward, is always going to influence the journey that you are set to undertake.

Prepare for the future

Another interesting case study is that of Shell. The oil and gas giant has been aggressively moving into the EV charging domain with a roadmap to roll out **500,000 electric charging stations** by 2025. This radical repositioning of Shell as an EACV player is a good example of proactively identifying future opportunities and building a first-mover advantage.

Not every trend you predict will evolve as expected. And not every idea you try will be successful. The important thing is to explore a range of different opportunities then analyse which have potential. Try, fail and then pivot to what works.

There are plenty of current examples of organisations testing out ideas in response to ongoing disruptions. Take construction equipment manufacturer Caterpillar, which purchased Yard Club, a marketplace for construction equipment. On paper, this looks like it could cannibalise its existing business model, which is focused on selling new tools and equipment. On the flip side, it could also position them as a pioneer in a new circular business model where equipment-sharing becomes the norm, in line with global sustainability trends.

Be agile, adaptive and adept

An organisation's ability to constantly transform and reinvent itself can be seen as the dual engines that drive continued business success, helping to ensure they stay relevant while also opening up new markets and opportunities. Yet despite the obvious benefits, implementing change is not always straightforward.

After all, employees can rightly question the need to disrupt the status quo when an organisation is turning a profit and operations are running smoothly. However, the reality is if you wait for things to go wrong then it is usually too late to respond. And it is typically the investor community who question the status quo and highlight early red flags. It is thus essential for organisations to have an ear to the ground and pick up any early warning signals.

The challenge is how to promote a need for continual change without unsettling your team and without breaking what is already working well. After all, a shift in strategy can have potentially negative impacts for members of the team.

Take the example of the L&T Group. The Indian engineering and construction conglomerate recently moved into green energy, commissioning its first green hydrogen plant at its engineering complex in Hazira, India. This initiative is in line with the Group's stated climate leadership targets that will help reduce the greenhouse gas footprint for itself as well as its clients by approximately 300 tonnes per annum by 2026. Instead of waiting for the inevitable calls to adopt a carbon neutral roadmap, L&T has proactively addressed this, generating goodwill among its stakeholders.

Being co-optive

Leaders cannot succeed in a vacuum. If transformation is really going to work then a consultative approach can help guarantee that all the stakeholders – employees, customers, investors, and society – are on board with, and properly understand, the mission, vision and values you are promoting. They are more likely to get onboard if they are clear on how the reinvention will benefit them.

That is why transformation needs to happen in stages so that change is not too abrupt or traumatic for the different stakeholders involved. Staggering the changes also gives you the opportunity to demonstrate the benefits at each step of the transformation.

Stakeholders also need to feel that they are part of the process, which is why you need to address the concerns of fence sitters and allow them the ability to offer feedback on proposals to build the widest possible consensus.

By taking this collaborative approach, you can build a roadmap that everyone is aligned with and that leaves your organisation ready to embrace and take advantage of future disruptions.

Dream-Discuss-Deliver-Double Down

At LTTS, their Dream-Discuss-Deliver-Double Down moment led to a “just-in-case” approach which meant identifying six “Big Bets”: electric autonomous and connected vehicles, 5G connectivity, digital products and AI, digital manufacturing, medical technology and sustainability, and having a laser-guided focus on nurturing these potential bets. Each trend is already starting to have an impact on society and this impact has the potential to grow even further over time.

Arguably, the key for any organisation looking to adapt to a D-VUCAD world is being able to make the shift in strategy from a “just-in-time” mindset, where you aim to deliver what is requested, when it’s needed to a “just-in-case” attitude where you can design for disruption and growth.

Find article at

<https://knowledge.insead.edu/strategy/how-design-disruption>

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