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10 Questions for Executives in Uncertain Times

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People often asked Innosight co-founder and Harvard Business School Professor Clayton Christensen to give his opinion about various industry developments. No matter what industry, no matter what context, he would always start by saying, “I don’t have an opinion. Theories have opinions.” The word theory, used in this general sense, can be considered a catch-all term that covers frameworks, models and tools. Christensen’s point was that just like putting on the right lenses can help you to see clearly, the right mental model can simplify and bring clarity to often confusing situations.

When confronted with the vast, chaotic maelstrom of change caused by the Covid-19 pandemic, we’ve found ourselves returning to first principles, looking to the core frameworks, models and tools on which we base our fieldwork helping forward-thinking organizations to navigate disruptive change. This piece details 10 questions these lenses suggest executives consider as they work through today’s uncertainty. Consider this a crib sheet that helps you and your leadership team to both zoom out to big-picture implications and zoom in to near-term threats and opportunities.

LENS 1: FUTURE-BACK STRATEGY

While you have no choice but to live life “present-forward,” in the face of uncertainty you should develop strategy “future-back.” Otherwise, you can end up unintentionally defaulting to your past playbook even if you know that competing in tomorrow’s world requires doing something materially different.

Future-back strategy starts by picking a point of time in the future beyond your traditional planning horizon. In normal times, for most organizations, that might be 5-10 years; in abnormal times, where planning horizons shorten, it might be only 12 months. You then look at underlying trends and come to a consensus about what the world is going to look like at that future date. While your picture of the future won’t be perfectly precise, you can paint a kind of impressionist painting based on explicit assumptions that allows your leadership team to strategize within a shared frame of reference. Next, you set an aspiration for the company you want to be in that future environment, including financial targets as well as

For Your Consideration

1. Which assumptions will have the biggest impact on how the future will unfold?
2. What underlying trends have catalyzed by the crisis and will have deeper and faster impact?
3. Where will temporary changes lead customers to discover new solutions that get the job done better?
4. Where will new habits lead to lasting changes in how customers define quality?
5. Where will post-event system-wide changes impose new barriers and therefore change the way customers prioritize solutions?
6. Are key job-to-be-done dislocations being targeted by up-and-coming disruptors that are positioned to become near-term threats?
7. What “reverb” opportunities to drive disruptive growth have opened up?
8. What, specifically, are new behaviors required to compete in an increasingly dynamic environment?
9. What specific habits and systems are blocking those behaviors?
10. What behavior enablers, artifacts and nudges (BEANs) can break the blockers and encourage the behaviors?

broad strategic choices about where to play, where not to play and how to compete and win. Finally, you work backwards from that future vision to determine what, specifically, needs to be done today to begin closing the gap between future aspirations and present realities.

In the Covid-19 crisis, the future-back strategy lens suggests asking two questions:

1. Which assumptions will have the biggest impact on how the future will unfold?
This isn't a sensitivity analysis, but an exercise to identify outcome-determining assumptions that define tipping points between different potential scenarios. These assumptions should be as precise as possible by having time frames and numbers around them. For example, "governments will loosen stay-at-home restrictions" is not precise enough; "by June, 30 percent of the world's population will be freely moving" is precise enough to track and monitor.
2. What underlying trends have been catalyzed by the crisis and will have deeper and faster impact? For example, every university head knew that online learning would be mainstream by 2030. That timeline has been accelerated significantly.

For more information: *Lead from the Future* (Johnson and Suskewicz, 2020); *Dual Transformation* (Anthony, Gilbert and Johnson, 2017).

LENS 2: JOBS TO BE DONE

During a crisis, it is natural to think about which temporary behavior shifts will stick beyond the crisis. The jobs-to-be-done lens, which is a broadly useful way to identify opportunities for innovation and for new growth, informs analysis of this issue.

The theory holds that people don't buy products and services; they "hire" them to get jobs done in their lives. This is consistent with management guru Peter Drucker's famous quote, "The customer rarely buys what the company thinks it is selling him ... Nobody pays for a product. What is paid for is satisfaction." We define a "job to be done" as the problem a customer is trying to solve in a particular circumstance. It puts the customer at the center of the innovation equation, allowing the would-be innovator to precisely characterize the customer's important, unsolved problems and to define quality in the way the customer defines it.



One of Christensen's most famous parables describes how a fast food company used the jobs lens to rethink the milkshake category. When the company asked customers what they wanted in a milkshake, it heard a lot about desired features (flavors, thickness and so on) but was unable to use these insights to increase sales. When it

shifted to studying why customers bought milkshakes, it found two segments with distinct jobs: commuters looking for a companion during a long, boring drive to work and parents looking to connect with their children in the afternoon. The offering had to be completely different to get each of those jobs done, so a one-size-fits-all milkshake ended up being a one-size-fits-none solution.

While the jobs-to-be-done theory holds that jobs are stable, events like Covid-19 can dislocate them by changing a customer's circumstances, available solutions and measures of quality. Executives should ask three questions to look for jobs-to-be-done dislocations:

1. Where will temporary changes lead customers to discover a new solution that gets the job done better than existing solutions? For example, it is very possible that the use of videoconferencing solutions for meetings persists past the current crisis, as people learn that technology is now good enough to provide a good experience and that they save the hassle and headache of travel.
2. Where will new habits lead to lasting changes in how customers define quality? When making decisions to hire a product or service to do a job, customers (often implicitly) consider functional, emotional and social dimensions. If customers spend enough time following different behaviors, it can rearrange which of those criteria are most important. For example, even when social distancing protocols are relaxed, customers may continue to place premiums on safety and look for financial solutions that minimize face-to-face interaction or physical transfer of cards or cash.
3. Where will post-event system-wide changes impose new barriers and therefore change the way customers prioritize solutions? It would not be surprising, for example, to see significant healthcare reform after Covid-19. Perhaps telemedicine, which has been a fringe solution, could become a mainstream solution as efforts seek to keep hospitals free from being contagion hotspots.



For more information: *Competing Against Luck* (Christensen, Dillon, Hall and Duncan, 2016); *"Finding the Right Job for Your Product"* (Christensen, Anthony, Berstell and Nitterhouse, 2007).

LENS 3: DISRUPTIVE INNOVATION

Christensen introduced his theory of disruptive innovation in 1995 as a powerful way to understand innovation-driven growth. Disruptive innovations create new markets and transform existing ones by making the complicated simple or the expensive affordable. Disruptive innovations typically start with lower performance along dimensions that

historically mattered to mainstream customers. Those limitations mean they have to start in market segments that are unattractive or ignored by established incumbents focused on more profitable segments. However, as the entrant's solution gets better, it steadily moves up-market until it delivers the performance that mainstream customers of the incumbents expect - all while keeping intact the unique advantages that drove its early success.

Consider Netflix. Its DVD by mail service had limitations compared to physical rental shops in terms of immediacy, but it offered new benefits related to customization, access to “long-tail” content and the lack of late fees. As it got into streaming, it combined these new benefits with better immediacy than physical stores and drove incumbents like Blockbuster into bankruptcy. Other examples of disruptive innovation throughout history include the transistor, discount retailers, the personal computer, Apple's iPod and asset-sharing platforms like Airbnb.

The disruptive innovation theory highlights two critical questions for executives:

1. Are key job-to-be-done dislocations being targeted by disruptors on the brink of breaking through and therefore should be considered clear-and-present near-term threats? Research in *The Silver Lining* shows that companies that are following the pattern of disruptive innovation but haven't yet crossed \$1 billion in revenue are a good bet in the midst of downturns. Financial services plays by players like Grab and Go-Jek in Southeast Asia, cloud computing tools such as Box and entertainment platforms like Amazon.com's Twitch seem to be examples of disruptors ready to take the next step in their evolution.



2. What “reverb” opportunities to drive disruptive growth have opened up? History clearly shows that innovators have an opportunity to drive growth by filling a gap that a “big-event disruption” exposes. Consider how the oil crisis in the 1970s, for example, hyper-charged the growth of small cars from Japan.

For more information: *The Innovator's Solution* (Christensen and Raynor, 2004); *The Innovator's Guide to Growth* (Anthony, Johnson, Sinfield and Altman, 2008); “*What is Disruptive Innovation*” (Christensen, Raynor and McDonald, 2015). *The Silver Lining* (Anthony, 2009).

LENS 4: ENCOURAGING INNOVATION HABITS

Over the past two decades, innovation has moved from a fringe to a mainstream concept. Organizations have poured billions into enabling structures, employee

training and investments in startups, yet most executives still report that innovation is a struggle. Why? The fundamental challenge is the behaviors that drive innovation success, like curiosity, customer obsession and being adept in ambiguity, run counter to the established habits inside most organizations. In other words, the enemy of innovation is institutionalized inertia that is reinforced in underlying systems and structures. The answer is to rip a page out of the habit change literature and launch a well-constructed “BEAN” that combines a behavior enabler (i.e., a checklist) that details the desired new behavior, an artifact (i.e., a trophy or desktop object) that reinforces the new behavior and a nudge (i.e., a leaderboard) that invisibly encourages behavior change.

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Deflecting disruptive threats and seizing disruptive opportunities requires companies to innovate at an unfamiliar pace and scale. While Covid-19 is leading to mass experimentation with new ways of working, companies still need significant work to become more agile and responsive. To accelerate and maximize the impact of this work, leaders should ask three questions:

1. What, specifically, are the new behaviors that need to be encouraged to compete in an increasingly dynamic environment? It's all fine to say that organizations need to be more agile, but what does that actually mean? As Chip and Dan Heath noted in the book *Switch*, what looks like resistance to change is often just a lack of clarity.
2. What, specifically, are the existing habits and systems that are blocking those behaviors? It is easy to say “we don't have time,” or “we don't have proper training.” These kinds of superficial blockers seem easy to fix, but the reality is often more subtle. Ask questions like “What do we do instead?” or “Why are we doing what we are doing?”
3. What BEANs can break the blockers and encourage the behaviors? For example, employees often are afraid to take risks and run experiments because the perceived stigma of failure. Tata Sons, India's largest conglomerate, offers a prize called “Dare to Try” that celebrates noble failure. Australian software company Atlassian regularly runs premortems, where teams discuss what would happen that would lead their projects to fail, helping to anticipate issues before they happen.

For more information: *“Breaking Down the Barriers to Innovation”* (Anthony, Cobban, Nair and Painchaud, 2019); *Building a Growth Factory* (Anthony and Duncan, 2012); *The Little Black Book of Innovation* (Anthony, 2010).

CONCLUSION

Executives are facing what feels like unprecedented uncertainty. In the face of such uncertainty it is natural to respond by focusing even more intensely on day-to-day operations. But history clearly shows there are always opportunities to innovate and grow, no matter how stark the crisis. Sony launched the transistor radio in the midst of a global pandemic in 1957; Microsoft was launched in a downturn in 1975; Apple launched the iPod after the dot-com crash of 2001; Adobe built the foundation of its remarkable transformation in 2008-2009, right in the middle of the Great Recession.

To spot and seize opportunities in a crisis, it is important to avoid battles of beliefs where statements start with “I think this...” or “I believe that...” Such battles often lead to emotionally charged stalemates. If, on the other hand, two parties agree to look at the situation through the lens of an applicable theory, and have an aligned view of the mechanics of the theory’s model and the inputs going into it, there is often one and only one conclusion. Of course, there can still be debate over the model and its inputs, but that kind of discussion both lowers emotions and leads to more productive discussions

about what to explore or where to experiment. Ultimately, using the right lenses in the midst of a crisis helps to bring clarity by cutting through the fog of massive uncertainty.



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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.