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ENTERPRISE DISRUPTION

A GUIDE TO 10X TRANSFORMATION

As we move towards Digital Singularity, organizations are frantically putting together a strategy which will enable them to thrive in the new digital economy. Digital has become the new status quo, with technology leveling the playing field. Business cycles are shortening. Barriers to entry are increasingly declining, with many large, traditional organizations being disrupted by smaller, tech-savvy start-ups. The business ecosystem now operates in a 'Switching Economy,' with competition like never before. Executives are continuously challenged. Are their competitive differentiators, truly competitive? How do they ensure they stay ahead of the curve? How do they minimize risk of being disrupted?

To remain relevant companies must forge creativity and continuously innovate. Enterprise Disruption is the technological disruptions across business models and value chains, driven by innovation, to fundamentally transform how businesses operate and remain competitive. Innovation lies at the core of truly disruptive enterprises, with many of the world's leading companies not just embracing innovation, but actively and aggressively institutionalizing innovation within their organizations, and constantly challenging the status quo.

ENTERPRISE DISRUPTION

The rules of the new economy are fundamentally changing the business landscape. *Barrier-free* Access gives us direct access to compete in the global, digital economy and gives rise to the gig economy. *Democratized Egalitarianism*, the ability of technology to further the equality of all voices, breaks down the walls between individuals and CEOs, challenging businesses to act differently. *The Sharing Economy* involving collaborative sharing of talents, products and services, and non-traditional employment is on the rise. And *Transboundary Communities* provide new types of places where individuals decide how to allocate their time and talents to earn a living, work with others, compete and start new businesses.

As we move towards Digital Singularity, organizations are frantically putting together a strategy which will enable them to thrive in the new digital economy. Digital has become the new status quo, with technology leveling the playing field. Business cycles are shortening. Barriers to entry are increasingly declining, with many large, traditional organizations being disrupted by smaller, tech-savvy start-ups. The business ecosystem now operates in a 'Switching Economy,' with competition like never before. Executives are continuously challenged. Are their competitive differentiators, truly competitive? How do they ensure they stay ahead of the curve? How do they minimize risk of being disrupted?

To remain relevant companies must forge creativity and continuously innovate. Enterprise Disruption is the technological disruptions across business models and value chains, driven by innovation, to fundamentally transform how businesses operate and remain competitive. Innovation lies at the core of truly disruptive enterprises, with many of the world's leading companies not just embracing innovation, but actively and aggressively institutionalizing innovation within their organizations, and constantly challenging the status quo. Amazon, Google, Apple, Uber and Netflix are just some examples of disruptive enterprises which have mobilized innovation and integrated technology to not only transform business models, but the entire consumer experience and expectations. This has set a new precedent for the way we operate and engage in the digital economy.

TENETS OF ENTERPRISE DISRUPTION

The tenets of Enterprise Disruption describe the actions required by organizations to support 10X transformation. These tenets include – identification of new customers and value chains, transformation of core business processes, preparation for new competition and development of new products and solutions. Organizations which actively and progressively incorporate these tenets into their business strategies, underpinned by driving a culture of innovation, are well positioned to become a disruptor, and succeed in the digital economy.

- **Identification of new customers and value chains**

Identification of new customers and value chains

Traditional value chains have evolved from a supplier to customer value stream, to an individualized value stream where, individuals generate the demand which is fulfilled by businesses and delivered at the individual's location. Individuals driving demand will need a new supply chain with the customer at the heart of the supply chain. These supply chains and their repercussions on partners and suppliers will drive the new digital organization. B2B models will start becoming more B2C where the customer drives the product or service.

- **Digital Transformation of core business processes**

Transformation of core business processes

To succeed in the digital era, firms will need to become digital enterprises, rethinking every aspect of their business and aligning their operating model in order to create digital experiences. Digital transformation revolves around three layered pillars that work in concert to enable an end to end digital experience for everyone – customers, partners, vendors, employees, and key stakeholders. This includes:

- *Digital Operating Models* - Creating an agile organization with a culture of innovation and end to end digital integration
- *Digital Business Models* - Pivoting the business model to drive digital revenue and proactively address market disruption
- *Digital Experiences* - Driving deeper engagement through intuitive and ubiquitous user experiences that enhance digital entanglement

Enterprises need to identify the transformation opportunities by prioritizing the business processes which require immediate attention. Leveraging emerging technologies to create an engaging and consistent digital experience is the key to business process redesign. The evolution of organizational structure that supports innovation and disruption is a key characteristic of digital organizations.

- **Preparation for new competition**

Preparation for new competition

Enterprises need to identify and counter competition coming from any direction, within the industry, and externally. It is not only startups that are a risk; nimble large enterprises are also becoming disruptors. Established businesses are being threatened by a new wave of digital upstarts that capitalize on technology changes, customer behavior and data availability to create more customer-friendly and innovative solutions.

Almost all major industry verticals have seen digital technologies disrupting the established competitive dynamics. From YouTube and Netflix in the Media Industry, Amazon and Groupon in Retail, Airbnb and Hipmunk within Travel and Transportation to CVS Health in Healthcare, no industry is spared.

With many large, traditional organizations being disrupted by smaller, tech-savvy start-ups, it is essential for businesses to adopt a 'disruptor mentality' to avoid falling behind. Enterprises must remember, *"when you don't prepare, you become reactive."*

Development of Innovative Products and Solutions

- **Continuous development of innovative products and solutions**

Disruptive enterprises are continuously developing new products and solutions to keep up with evolving technologies and customer expectations. The most successful companies today release new products and updated versions of existing products each year to ensure they are up to speed on latest market developments. The truly disruptive companies are the ones which continuously innovate - Google, Apple, Tesla, to list a few, by developing completely new product features to cement their competitiveness.

The development of innovative products and solutions also has great business impact on growth and profitability. This creates an opportunity for new target markets, new customers, and even new industries being served. Enterprises should prioritize product development and innovation if they are to ensure business growth and profitability, and successfully compete in the digital age.

DRIVING A CULTURE OF INNOVATION TO SUPPORT 10X TRANSFORMATION IN ENTERPRISES

Building a culture of innovation is key for achieving the core tenets of Enterprise Disruption. Today's leaders view innovation as a key to success, with 79 percent considering innovation as one of their top three priorities[1]. In relation, 84 percent of consumers say it's somewhat or very important that the company they buy from is innovative[2]. A culture of innovation within an organization will:

- Support an effective growth strategy - Companies with an innovative mindset have an agile mindset. They can adjust to the market using technology and hire more easily

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[1] Robert B. Tucker, "How Does Amazon Do It? Five Critical Factors That Explain Amazon's Incredible Success," Forbes, November 1, 2018, https://www.forbes.com/sites/robertbtucker/2018/11/01/how-does-amazon-do-it-five-critical-factors-that-explain-amazons-incredible-success/#7f63cd4c41b9

[2] Johnathon Pirc, "Why brand innovation is a vital consumer selling point," Quirk's Media, July 2015, https://www.quirks.com/articles/why-brand-innovation-is-a-vital-consumer-selling-point

- Create new markets and revenue streams - Businesses can create new products and services to create new revenue streams to capitalize on new markets previously out of reach
- Enhance traditional business models and improve brand recognition and value - Ensures continuous growth as companies must continuously improve their business processes/ systems to remain competitive
- Deliver greater value for customers
- Improve Productivity and form new partnerships and relationships
- Avoid risk of becoming obsolete and becoming disrupted - Innovation enables companies to disrupt as opposed to being disrupted

How can organizations foster a 10X Innovative Culture?

Fostering an innovative culture requires changes which encourage organizations, and the people that work for them to develop new ideas, take risks and work in new ways. Managers and executives must build and curate an internal innovative ecosystem which is centered around employee development and aligned to business models and prospects for business growth. Fostering a 10X innovative ecosystem, will require the following:

- **10X Disruption requires 10X Leaders** - Innovation within enterprises should start at the top. 90% of executives believe that he long-term success of their organization's strategy depends on their ability to develop new ideas.[3] Business leaders must create the "need" and prioritize innovation to drive business growth by recognizing that it can achieve the four tenets of enterprise disruption – help identify new customers, transform business processes, enhance competitiveness and develop new solutions. Executives must ensure that leaders throughout the business, including senior managers and team leads, prioritize the development and exchange of new ideas among teams. Adopting an open-door policy lends to an environment of trust, one that encourages employees to interact and engage.
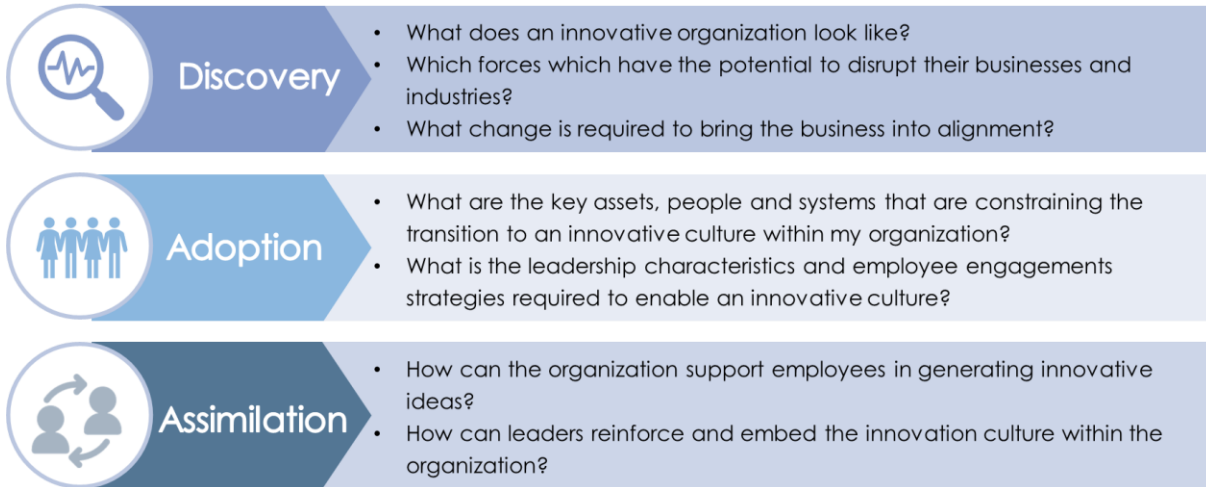
  Leaders themselves must also be curious, as curiosity drives creativity. Continuously thinking and engaging with employees to determine how business challenges can be solved, or processes and products improved are important characteristics of a 10X leader. 10X leaders must also be risk-takers, and willing to fail. A study conducted by Harvard Business School estimates that 95 percent of new products fail.[4] Business leaders who fail to innovate and stir a culture of innovation within the organization, fail the business.

  To develop an innovative culture, executives should ask the following questions based around three core steps in the innovation adoption process:

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[3] Sareen Babu Madupu, "Innovation Management: Importance, Ideas, And Examples," Acuvate, November 14, 2018, https://acuvate.com/blog/innovation-management-importance-ideas-examples/
[4] Carmen Nobel, "Clay Christensen's Milkshake Marketing," Harvard Business School, February 14, 2011, https://hbswk.hbs.edu/item/clay-christensens-milkshake-marketing

Fostering Innovation – Questions for Business Leaders

Discovery
- What does an innovative organization look like?
- Which forces which have the potential to disrupt their businesses and industries?
- What change is required to bring the business into alignment?

Adoption
- What are the key assets, people and systems that are constraining the transition to an innovative culture within my organization?
- What is the leadership characteristics and employee engagements strategies required to enable an innovative culture?

Assimilation
- How can the organization support employees in generating innovative ideas?
- How can leaders reinforce and embed the innovation culture within the organization?

Jeff Bezos – A 10X Leader: Founder and CEO of Amazon, Jeff Bezos, believes that a continuous stream of ideas fuels growth. He sees his function as creating the cultural alignment to value and respect ideas at all levels and acts with a sense of urgency to speed their implementation. He sees his job as identifying and refining the Innovation Roadmap to take company from its current position, to where he wills it to be in the future, on time and on schedule, delegating to trusted lieutenants the implementation of ideas. His leadership and prioritization of innovation would have enabled Amazon to become the disruptor that it is today.

Source - Robert B. Tucker, "How Does Amazon Do It? Five Critical Factors That Explain Amazon's Incredible Success," Forbes, November 1, 2018, https://www.forbes.com/sites/robertbtucker/2018/11/01/how-does-amazon-do-it-five-critical-factors-that-explain-amazons-incredible-success/#7f63cd4c41b9

- **10X Disruption requires 10X Teams** – Driving innovation among teams is the mainstay for a successful company. Organizations must create avenues for creativity and opportunities which enable continuous sharing of ideas amongst employees, and supervisors. If employers do not encourage employees to be creative and develop new solutions, they face a serious risk of their organization becoming mundane and being disrupted. They must develop channels to support 10X innovation within their teams. This can be done through the following:

Make Innovation Everyone's Responsibility
Include innovation and idea development in employees performance targets and incentivize innovators

Encourage Risk Taking
Encourage teams to take risks, to think out of the box, and to not be afraid to fail

Encourage Open Communication
Create a boundaryless idea sharing environment which supports brainstorming and advisory

Reward Creativity
Recognize and reward creativity, innovation and acknowledge lessons learned for all innovators

Make Innovation Everyone's Responsibility - Innovation should be treated as one of the organization's strongest assets and leaders must ensure that everyone in the company works to develop their innovative capabilities. This can be done by including innovation, ingenuity and idea development in employees' annual performance targets, so that there is an obligation amongst staff to think creatively. This entails allowing employees to "develop a new program/product/solution each year which addresses…" To drive a desire for employees to innovate rather than having it as a mandate, business leaders can provide incentives, including innovation spaces, and create policies to actively engage employees to innovate.

3M is an iconic innovative company with 55,000 products, releasing 25 new products per week and over 3,000 global patents each year. To enable this, innovation is prioritized across the company[5]. 3M's 15 percent time allows employees to spend up to 15 percent of their time working on projects that they are passionate about, even if there is no immediate benefit[6]. 3M's innovation center creates a space where people can discover new ways of thinking and learning, observing, and doing work that impact people and reach mutual goals[7].

[5] 3M Research and Development, https://www.3m.com/3M/en_US/company-us/about-3m/research-development/
[6] Harvey Wade, "Five Innovation Lessons from 3M," Innovative Thoughts, October 30, 2017, https://innovativethoughts.net/2017/10/30/innovation-lessons-from-3m/
[7] 3M Innovation Center, https://www.3m.com/3M/en_US/company-us/about-3m/innovation-center/

Encourage Experimentation and Risk Taking – Innovation is about trying new things, and this requires risk taking. Organizations must encourage teams to take smart risks, think outside the box, and be leaders of change, rather than having it come from management alone. They must create an environment for employees to experiment, one that allows for mistakes, some failure, and lessons learned. A company's unwillingness to promote risk-taking alienates innovators and bypasses the opportunity to foster potential. In work environments where risk taking and entrepreneurial thinking are encouraged, and ideas are welcomed, more ideas will be generated as employees are motivated, which can potentially lead to the next groundbreaking innovation. job satisfaction and employee development, has a significant impact on business as a whole.

amazon	To protect its organization from risk aversion, Amazon has employed a rule that business leaders should consider emulating: "the institutional yes." Amazon tells its managers that their default answer must be "yes" when employees propose new ideas and experiments. In order to say no, the manager needs to explain why with a two-page thesis.[8] Amazon has created friction for saying no, resulting in more ideas being tested (and thus implemented) throughout the company[9].

Encourage Open Communication – One of the best ways to inspire innovation is to create an ongoing conversation among employees and business leaders. Organizations must create a boundaryless idea sharing environment, to share ideas freely across the business hierarchy. They must create a culture which supports brainstorming of ideas, with experienced leaders providing mentorship and advisory to support innovative thinkers. Organizations must also prioritize employee engagement as engaged employees are more creative and more willing to accept innovative ideas from others. For 60 percent of leaders, growth strategies based on democratizing innovation led to increased engagement.[10]

Benefits of encouraging open communication and increased employee engagement include:

- Increased staff morale, passion and motivation
- Increased problem solving and productivity
- Increased team bonding and collaboration

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[8] Everwise, "Encouraging Smart Risks in the Workplace," March 17, 2016, https://www.geteverwise.com/leadership/encouraging-smart-risks-in-the-workplace/.

[9] Salim Ismail, "3 Ways Companies Can Encourage Smart Risk Taking," Entrepreneur, October 16, 2014, https://www.entrepreneur.com/article/238543

[10] PageUp, "Driving a Culture of Innovation - Insights from PageUp's Global HR Innovation Study," 2017, https://www.pageuppeople.com/wp-content/uploads/2017/02/Innovation-Whitepaper-Digital-small_v1_1.pdf.

Google	Google partnered with researcher Spencer Harrison to study how ideas from new employees don't get far. The research found that when a new employee partnered with a seasoned employee, their good ideas were more likely to develop, thanks to the extra context, support, and connections of the seasoned employee. To encourage and surface interdepartmental connections, any Googler can recognize another Googler with a peer bonus, with the approval of both managers[11].

Reward Creativity – Recognizing and rewarding innovation is key for building a culture of innovation. It is important for business leaders to acknowledge the innovators throughout the organization, and share the ideas and lessons learnt. This is important for boosting employee morale and encouraging teams to strive for such rewards. Smart failures should also be recognized. The objective is to let employees know that their efforts are appreciated, and provide the encouragement and motivation required to further spur innovative thinking.

TATA / TATA INNOVISTA	Tata InnoVista is a unique 'One Tata' platform for recognizing and celebrating innovations of the companies at the group level. Participating in the group-wide initiative encourages and motivates the teams and promotes a culture of collaborative innovation, learning and sharing, and demonstrates the ability of teams to solve real business problems with innovative solutions. Including in its list of awards is the "Dare to Try" award aimed at facilitating risk taking by recognizing teams who did not initially achieve the desired results[12].

An organization's innovative culture can be measured by:

- ❖ Organization's reputation for Innovation
- ❖ Organization's ability to attract innovative talent
- ❖ Creating an internal ecosystem to support creativity & innovation
- ❖ Organization's willingness to accept new ideas
- ❖ Motivating and rewarding innovators within the organization
- ❖ High Morale and Retention of innovative talent

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[11] ReWork, "Guide: Foster an innovative workplace - Build connections between people,"
https://rework.withgoogle.com/guides/foster-an-innovative-workplace/steps/build-connections/.
[12] Tata Innovista, https://www.tatainnovista.com/.

Innovation to Market Strategy

Companies should define an innovation to market strategy to bring ideas into business reality. Implementation of ideas is what truly makes an organization innovative. Enterprises should develop an innovation roadmap. This roadmap will consist of challenges which are faced not just within businesses, but throughout society. Businesses can identify which of the global goals they are capable of working with in designing a solution. The roadmap will identify where innovations are required, based on the challenges outlined. This will provide businesses with a guide and help ensure that innovation is prioritized within the organization and set business leaders expectations and employee requirements. There should be a select team to assess the progress along the innovation roadmap to ensure goals are being met.

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About Avasant

Avasant is a leading management consulting firm focused on translating the power of technology into realizable business strategies. Specializing in digital and IT transformation, sourcing advisory, global strategy, and governance services, Avasant prides itself on delivering high -value engagements through industry focused innovation and flexible client based solutions.

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