ISB CTO

Week 19: Leadership in the Age of Disruption

The Dynamics of Disruption

What has caused a substantial decline in the lifespan of the world's largest companies, particularly Fortune 500 firms, over the past century? In 1920, these giants were expected to last for 90 years, yet by 1960, this duration had dwindled to 60 years. As of today, their expected life is less than 17 years. This decline in the longevity of these companies is a significant concern. This isn't about how long they remain on an index; it is about the survival of the company itself. It is crucial to determine the authenticity of the data and comprehend the stark changes in the business landscape.

Fading Stalwarts

Notable companies like Kodak and Xerox, have either vanished or significantly declined. The evolution of technology, which has accelerated in recent years, has outpaced any developments in human history before the 20th century. In the first two decades of this century alone, we have witnessed more technological change than the preceding 150 years, which underscores the necessity of adaptability in the face of change.

The Mobile Revolution

The transition from analogue to digital mobile technology illustrates how rapidly industries can shift. Companies such as Motorola and Nokia, which once dominated the mobile phone market, have either disappeared or faced severe setbacks within a short timeframe. These examples emphasise the importance of adaptability in times of immense change.

Response to Disruption

Disruptions often arise from unexpected quarters, and in these moments, it becomes imperative to strategise and lead effectively.

When faced with disruption, individuals and organisations typically have two fundamental approaches: they can view it as a threat or as an opportunity. Naturally, most tend to favour the latter, as it represents an exciting prospect to embrace change and innovation. The former approach, centred on cost-cutting and maintaining the status quo, may seem less appealing.

The Kodak Saga

Kodak, founded in the 1800s revolutionised photography with the invention of silver iodide-based prints, shaping the industry for a century. In 1978, they developed the digital camera, aiming to disrupt their own industry. However, as digital technology progressed, Kodak found it challenging to monetise digital photography. They could not foresee the emergence of cloud technology for storing digital images, ultimately resulting in the company's downfall.

Fujifilm's Approach

Kodak's competitor, Fujifilm, took a different approach. They initially fortified their core paper-based photography business, safeguarding it from threats. During Kodak's foray into digital photography, Fujifilm focused on becoming the most cost-effective player in traditional printing. This allowed them to gain market share over two decades. Subsequently, they capitalised on the digital technology by identifying profitable applications, such as medical digital imaging and thin film technology. Today, Fujifilm is a thriving global conglomerate worth $20 billion.

Leadership Strategy

One of the fundamental responsibilities of leadership is to prepare an organisation for the imminent winds of change. Ideally, a leader strives to be at the forefront of creating change, moving faster than external disruptions or, in the face of these changes, responding proactively.

Scanning the Horizon

A leader's primary role involves scanning the horizon, anticipating changes, preparing for those changes, and developing both threat and opportunity responses. This involves conducting several pilot initiatives, communicating these findings to the organisation, and subsequently scaling up the responses. How can a leader successfully scan the environment and lead innovation, ideally positioning the organisation as the disruptor?

Creative Approaches to Business Disruption

In a thought-provoking Harvard Business Review article, Professor Brandenburger asserts that disruptive thinking necessitates creativity. He offers four distinct creative approaches to instigate business disruption.

- **Contrast:** This approach involves questioning foundational assumptions that often remain unexamined. For instance, Uber challenged the belief that taxi companies must own fleets of cars, while Airbnb and OYO questioned the necessity of owning hotels.
- **Combination:** The combination approach entails merging seemingly unrelated products or services into novel offerings. The smartphone's fusion of PDA, mobile phone, computer and phone is a prime example.
- **Constraints:** Sometimes, constraints can fuel innovation. Nespresso, for example, faced resistance in a market unwilling to pay a higher price for its product. This compelled them to adopt a direct-to-consumer model, which transformed their business.
- **Cross-Industry Insights:** The final approach encourages leaders to look outside their industry, studying disruptions and lessons from other sectors. This cross-pollination of ideas can bring fresh perspectives to one's own industry.

Applying the Approaches

Consider how these creative approaches can be harnessed within your company and industry to foster innovation and navigate disruptions effectively.

Steve Jobs' strategy was rooted in a profound insight – sometimes, being the first to scale an existing invention can be as transformative as inventing something new. By observing the innovations of others and swiftly adapting them to scale, one can gain a significant competitive advantage.

Our world today is incredibly dynamic, where strategy development and execution are inextricably linked. Business cycles are accelerating, product obsolescence is on the rise and these trends have profound implications for strategy.

Leader's Posture in a Changing Universe

When disruption comes knocking, we must be ready to change. This change requires a dual response: addressing disruption as both a threat and an opportunity. Both responses must coexist to effectively tackle disruption.

One of the fundamental responsibilities of leadership, which is to look beyond the organisation's boundaries. Leaders must scan the horizon, anticipate change, foster change and cultivate it within the organisation. To do this, we explored four creative approaches for generating new ideas, as proposed by Professor Brandenberger. Additionally, we examined the strategy execution loop, illustrating the continuous process of sense-making, strategising, executing and revising.

The Evolving Landscape

In a world marked by rapid business cycles and constant disruption, the way we develop and execute strategies has evolved. Professor Donald Sull's work at Harvard Business School introduced a strategy execution loop, emphasising the need for ongoing adaptation.

As a leader, it is essential to cultivate a mindset that thrives on continuous change and embraces relearning and unlearning. This attitude extends to our organisations, where agility is crucial. We invite you to reflect on the agility of your company and yourself as a leader.

The journey towards successful leadership in an era of disruption begins with the right mindset and attitude. Your willingness to explore new horizons and learn is already a promising sign.

Leadership vs Management

Is managing the same as leading? Or are they distinct, and if so, what sets them apart? Throughout our careers, we will encounter both managerial and leadership tasks, with the ratio shifting as we progress. I subscribe to the notion that you manage things, such as projects, brands and companies, but you lead people. Human beings cannot be managed; they must be led. This distinction will be explored further in the subsequent sections.

Leadership fundamentally requires followers—people willing to follow your lead. Without followers, leadership remains an empty claim. What do followers seek from their leaders?

Belongingness	Significance	Reward	Excitement
• Do I belong to something bigger? • Do I belong to a team or an organisation?	• Beyond belonging, do I matter? • Is my contribution valued? • Does my leader know my name or face? • Does my leader value me?	• What's in it for me? • Is there a reward? • Is there a recognition?	• Let's do something

- Followers yearn for belongingness, where they feel connected to something greater than themselves.
- Significance is equally important; individuals want to know that their contributions are valued and recognised.
- Additionally, there is an element of quid pro quo—followers expect rewards or recognition for their efforts.
- Lastly, followers seek a sense of excitement and purpose, a 'buzz' that motivates them.

Key Responsibilities of Leadership

- First, leaders inspire people, infusing them with a sense of purpose and excitement.
- Second, they set the values and articulate the organisation's purpose, focusing on belongingness and significance.
- Third, leaders shape the organisational culture, influencing the way individuals interact and work.
- Fourth, and often overemphasised, leaders must deliver results.

However, it is crucial to remember that the first three leadership tasks significantly impact the ability to achieve the fourth—delivering results.

Professor Rob Goffee, formerly of the London Business School, identified these four core leadership tasks. The first three—inspiring people, setting values and shaping culture—are often overlooked in favour of delivering results. Nevertheless, they play a critical role in enabling and improving the achievement of results. This realisation prompts us to question how much time we and our leaders dedicate to these crucial leadership tasks. In a world besieged by constant disruption, the capacity to adapt and succeed depends on our commitment to continuous learning and transformation.

Key Leadership Behaviours

Why should anyone be led by you? What makes you unique, setting you apart as a leader? These are some questions that continue to evolve even after 23 years.

Answering these questions are key to comprehending yourselves as leaders. Leadership emanates from who you are. Therefore, it is imperative to commence by exploring your own self-awareness. Recognise your biases, strengths and weaknesses, and how they translate into your leadership behaviours.

The Five Levels of Leadership

John Maxwell's work on the five levels of leadership provides valuable insights. It suggests that leadership evolves through different stages.

- The initial level involves leading based on your position, often characterised by issuing directives and instructions.
- Progressing, you attain permission to lead by cultivating relationships and demonstrating care.
- The next level centres around production, where people follow because you deliver results and strive for excellence.
- The fourth level sees people following due to your investment in their development, nurturing and mentoring them.
- The pinnacle is level five leadership, where people follow you because of what you represent. Icons like Nelson Mandela and Gandhi exemplify this level, although it is an ongoing journey.
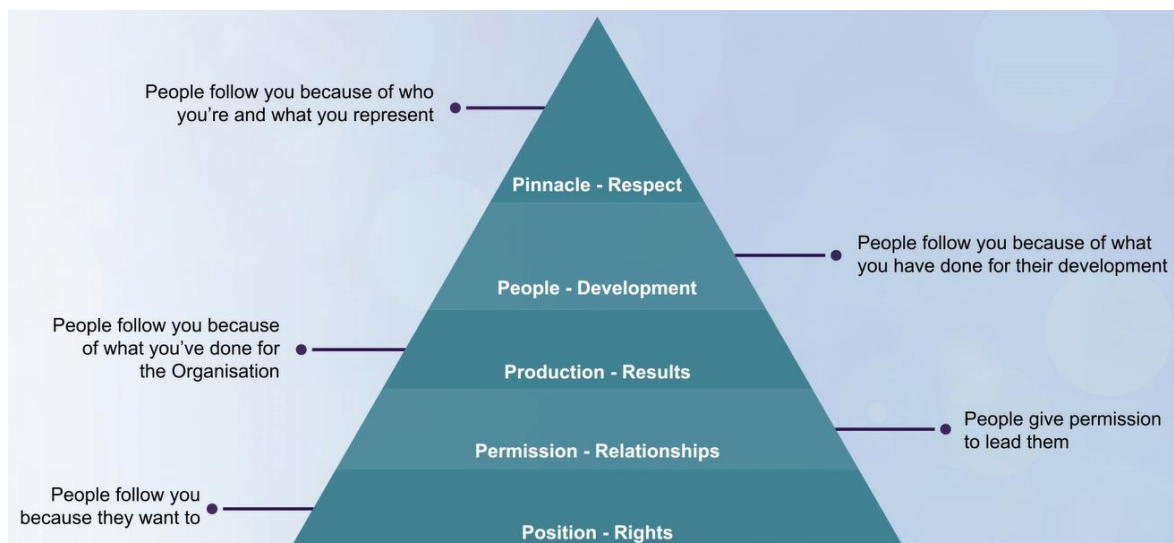
Situational Leadership

Leadership is also profoundly situational. In times of crisis or urgency, leaders may need to adopt directive, firm approaches to ensure safety or efficiency. This adaptability allows leaders to traverse different levels of leadership depending on the situation, but authenticity remains paramount. Flexibility should not entail inauthenticity, as trust is easily eroded when leaders are perceived as disingenuous.

Tips for Effective Leadership

Changing your leadership style necessitates changing yourself as a person. People are drawn to authenticity, and if they detect insincerity or pretence, trust erodes. For a

leader, authenticity is paramount. You can modify your leadership style and behaviours, but true change necessitates aligning your inner values and beliefs with the desired behaviour pattern.

Professor Goffee imparts valuable advice on effective leadership. First, selectively reveal weaknesses to your followers, demonstrating authenticity without exposing all vulnerabilities. Second, cultivate strong sensing skills to read situations intuitively. Third, embrace 'tough empathy,' the balance between being hands-on and demanding when necessary. Finally, utilise your unique qualities to your advantage, for differences can be a source of strength.

Characteristics of Successful Leaders

In the realm of leadership, we must encompass the four core traits eloquently outlined by Professor Rob Coffey. In addition to this, a captivating study by Botello and Powell, who interviewed 18,000 CEOs, reveals four common attributes exhibited by successful leaders around the world. These characteristics encompass the power to decide, engaging for impact, proactive adaptation and consistent delivery of results.

The Four Pillars of Successful Leadership

- **Decisiveness:** Successful leaders make decisions; they avoid the inertia of indecision. Procrastination and sitting on the fence can be frustrating for followers. Even when decisions occasionally prove incorrect, it is essential to exhibit the humility to acknowledge the mistake and take corrective action.
- **Engaging for Impact:** Effectively engaging people beyond hierarchical boundaries is an intricate task. Engaging for impact entails the ability to sustain interest, convince and lead without relying solely on formal authority.
- **Proactive Adaptation:** Leaders need to demonstrate learning agility, acknowledging that situations can evolve, or unforeseen challenges may arise. A proactive approach to adaptation involves learning from new experiences and promptly altering course when necessary.
- **Consistent Results:** The hallmark of successful leadership is the ability to consistently deliver results. Effective leaders demonstrate their competence through a track record of delivering on expectations.

The Essence of Charisma

Charisma, often perceived as an innate quality, is a dimension of leadership that can be cultivated. It originates from the Persian word "Karishma," meaning magic, and represents the enchanting connection between a leader and their followers.

This charisma can be deconstructed into three fundamental components.

- **Presence:** This involves active listening, asking questions and keenly observing body language. Being present in interactions, remembering names and faces and showing genuine interest align with followers' innate desires for belongingness and significance.

- **Power:** The concept of power in leadership is complex. It necessitates striking a balance between maintaining approachability and projecting authority. Leaders must decide whether to dismantle barriers that separate them from their followers or maintain a necessary distance while making decisions.
- **Warmth:** The warmth component is about projecting empathy and understanding. Leadership is not solely about numbers and results; it also involves building meaningful relationships. Leaders who project warmth create connections that inspire and motivate.

Leadership and Introversion

Interestingly, research by Botello and Powell indicates that many successful CEOs are introverts. This challenges the stereotype that leadership is exclusively extroverted. Successful introverted leaders exhibit learned extroverted behaviours, emphasising genuine interest in people, regardless of their inherent introversion. Self-awareness, deliberate practice and adaptation enable leaders to manifest charismatic presence.

Building Leadership and Charisma

The journey towards authentic leadership begins with understanding oneself. Recognising your strengths, weaknesses and biases and consciously working to modify and enhance these attributes is the foundation for developing presence, executive presence and charisma. Leadership skills that transcend positional authority are particularly valuable in today's world, where the need for influence extends far beyond hierarchical boundaries. We are increasingly called upon to lead teams and networks, requiring a set of skills that create alignment across the entire value chain.

The Role of Leadership in an Era of Disruption

In an age dominated by rapid technological advancements, the question arises: how can leaders anticipate and prepare for incoming changes? Strategic technology planning becomes essential amidst dramatic and frequent disruptions. For instance, the advent of self-driving cars has the potential to revolutionise numerous industries, from automobile manufacturing to real estate, showcasing how a single innovation can ripple across diverse sectors.

One compelling example of disruption is the rise and fall of BlackBerry. Initially, BlackBerry transformed mobile telephony by integrating a keyboard and personal digital assistant functionalities into a mobile phone. Through visionary leadership and ambitious targets, the company experienced exponential growth, becoming a leader in the tech space. However, BlackBerry's inability to adapt to subsequent disruptions, such as the touch-screen iPhone, led to its decline. This illustrates a common challenge for technology leaders: the risk of clinging to past success models rather than embracing new platforms and innovations.

Apple's Adaptive Strategy: A Case Study

Apple's approach to technology planning offers critical insights into navigating disruption. The company redefined the MP3 player market by transforming the clunky, user-unfriendly devices into the sleek and accessible iPod, paired with the revolutionary iTunes platform. This ecosystem enabled users to purchase and organise music conveniently, creating an entirely new revenue stream.

When Apple introduced the iPhone, it willingly disrupted its own cash cow—the iPod. By integrating and expanding the functionality of the iPod into the iPhone, Apple demonstrated a willingness to let go of past successes in favour of future growth. This forward-thinking approach highlights the importance of anticipating disruptions, embracing external innovations, and dynamically adapting technology offerings to remain relevant in a rapidly changing market.

Strategic Technology Planning in a Dynamic Environment

Effective technology planning requires vigilance and agility. Leaders must continuously monitor emerging technologies and assess their potential impact. The process involves difficult decisions, such as letting go of established products or platforms to embrace disruptive innovations. Apple's strategy illustrates this principle: adopting external technologies and making them user-friendly while dismantling older, successful models.

Strategic planning in today's environment must also be dynamic. Predicting changes five to seven years in advance is increasingly challenging, necessitating continuous revisions. Organisations must foster internal capabilities to respond quickly and build a culture of adaptability to remain competitive.

Emerging Disruptions and Strategic Responses

The speed and scope of technological disruptions continue to accelerate. Innovations such as generative AI, health-monitoring wearables, and smart glasses exemplify this trend. For example, AI models now rival human accuracy in medical diagnoses, while wearable sensors track health parameters 24/7, disrupting traditional healthcare delivery. Similarly, products like Meta's Ray-Ban smart glasses, which combine eyewear with headphones and cameras, are transforming multiple industries simultaneously.

In such an environment, strategic responses must consider disruptions as both threats and opportunities. Organisations must protect existing revenue streams while exploring how new technologies can create value. This dual approach often involves difficult trade-offs, including the possibility of disrupting one's own business models to remain competitive.

Frameworks for Strategy and Execution

To navigate disruption effectively, organisations can leverage strategic frameworks. Professor Don Sull's execution loop offers a dynamic approach to strategy development. The loop involves:

- Making sense of changes: Understanding the external environment and identifying emerging trends.
- Making strategic choices: Deciding on the best course of action based on available data.
- Executing the strategy: Implementing decisions while remaining flexible.
- Revising the strategy: Adapting to new disruptions as they arise, ensuring a continuous feedback loop.

Creating a learning organisation with agile structures is essential to executing this dynamic strategy. Leaders must cultivate a culture that embraces revision and innovation.

A Five-Step Model for Strategy in Turbulent Times

Gottfredson and Mankins' dynamic model for strategy development offers another valuable perspective. It includes the following steps:

1. Define extreme but plausible scenarios: Anticipate disruptive possibilities, such as AI replacing traditional marketing functions.
2. Identify strategic hedges: Develop options to mitigate risks, such as experimenting with AI models or retraining staff for new roles.
3. Run experiments: Conduct small-scale pilots to test strategies, learn from failures, and invest in successful initiatives.
4. Scale successful initiatives: Allocate resources to expand effective strategies.
5. Continuously adapt: Maintain flexibility and revisit strategies as the environment evolves.

This iterative approach encourages organisations to view disruption as an opportunity for growth rather than a threat to stability.

As disruptions grow more frequent and impactful, organisations must adopt forward-thinking strategies to thrive. Leaders, especially CTOs, play a critical role in fostering agility, encouraging experimentation, and embracing innovation. By leveraging dynamic planning frameworks and maintaining a culture of continuous learning, organisations can navigate disruption effectively and seize opportunities for sustained success.