

Leading in a Time of Disruption

“You are faced with one of the most difficult challenges in business revivifying a dying organization. You must decide what to do with the old business, dig out the old culture, downsize, restructure, and live with awesome levels of stress as you hoard resources for the new venture. Should NewCo return funding to LegacyCo? At the same time you must launch a new offering and make your first forays into the market trying to engage with early adopters and build market legitimacy that will propel you up the secular growth curve. Luckily, the sales management team that drove NewCo in its early stages is available. They are willing to be transferred back to LegacyCo. Most important, in this B2C market the offering is universal so you must scale up at very high speed and seek to drive consumers to your offering as fast as possible by offering them a ‘whole product’. You will need some original thinking...”

Attached is a selection of notes and memos to support your decisions

AGENDA
EXECUTIVE COMMITTEE MEETING
PERIOD 5

Below are the subjects for discussion at the upcoming Executive Committee Meeting. The decision on back up production partners has been moved to the front as it is time sensitive.

1. Back-up production of headsets: see Logistics memo
2. Project development. see the proposed list, plus notes on legacy culture issues
3. Development acquisitions: see development partners memo and memo on micro-acquisitions
4. Social media: see McKinty scenarios, the Agency response and discussion of open-sourcing.
5. Transformation initiatives: see researched list
6. Growth curve Initiatives: See memo
7. Launch tasks strategy etc.
8. Headcount: HR has revised its recommended numbers by function. Start the conversation on downsizing in legacy and hiring for D-AR
9. Budgeting: decisions will be needed on projected revenue, Marketing and Sales expenditure. This is for both legacy if still supporting and D-AR if driving that

Copies of all relevant memos etc. are attached.

MEMORANDUM

From: Mary Gerhardt CEO XYZ Co

To: Sarah Hughes COO LegacyCo

Subject: D-AR Strategy

LegacyCo faces an enormous challenge. Over the next three periods you must:

- Restructure your traditional business as you face up to the disruption caused by Pear
- Resource the development of your new business: Domestic AR
- Drive the new business up the secular growth curve at a rate dramatically faster than was required of NewCo facing problems of rapid scaling in a dominant segment
- Reshape our culture from inward-looking and product oriented to outward looking, creative and hard-driving in the marketplace while recognizing that if we are successful we will soon need to move back to optimizing the offering, which was the 'old' culture.

I am confident we can make it. But it will be tough sledding and require you to be nimble in change management.

In the near term you are going to receive a flood of emails that will help you to envisage the issues facing you. The time available to be successful is VERY short. In fact, we will not have time to sit back and contemplate for the next three periods.

Good luck

Mary

MEMORANDUM

From: John Rouse VP HR

To: Sarah Hughes COO LegacyCo

Subject: Downsizing

If the market for Legacy offerings continues to collapse as it currently seems to be, then it is inevitable that we must consider major downsizing.

The HR workforce tool is already telling function heads that they should be reducing staffs. But this raises a couple of problems.

- We took the decision to allow NewCo to hire fresh talent in most of its functions some ¹time ago. I think we should reconsider that decision. We have many people in LegacyCo that have many years of service with us. We may consider that we have a moral obligation to them. We should bring this up with Mary and Henry of NewCo. The penalty of course will be introducing old wine into new bottles and perhaps diluting NewCo's competence. Plus, if it becomes obvious to LegacyCo employees that they are totally expendable the race for the door by our best people that we are already suffering will accelerate and our reputation in the community will tank. The solution is perhaps to allow LegacyCo people to apply for NewCo jobs in competition with outside candidates.
- The bigger problem is in LegacyCo itself. Our long term arrangement (not legally or contractually binding) has been to fill internal vacancies from current staff if at all possible. This was in the interest of speeding strategic changes and lowering resistance to organizational restructurings. However, given the multi-partner nature of the Domestic AR offering we may not be able to do this on this occasion. It is a real issue for the corporate climate and morale. The solution is possibly major retraining but given the speed that the new offering has to come to market this could slow our entry considerably.
- Finally, no matter how fast D-AR comes to market there is going to be a period long or longer when we will be heavily overstaffed. Do we hold the staff in case to retain the skills or do we fire wholesale in the full knowledge that we may have to rehire again in short order? One thing I suggest we want to avoid is managers trying to dump staff on either NewCo or Domestic AR.

John

¹ Put in an action choice with savings and competence losses but further stress on LegacyCo . do I put in a range of action choices that hold or fire and rehire with implications for competence and legitimacy. General thought as well do I put competence limits around the HR recommendation so that they do not over hire – cost or underhir – or at least hint at it

NOTE

From: John Rouse. VP HR

To: VP Product Development LegacyCo

Subject: Culture Shift

We are all grateful for product development pulling a new market out of the hat! You are a hero.

As an old friend, I believe you may have a few hidden culture problems as we move forward that could cripple your plans.

1. LegacyCo offerings have been evolved over many years and your people have been used to a stately flow of projects almost exclusively¹ focused on cost reduction in a well-established offering. The cycle time for new functionality has slipped to 18 months from the early days of LegacyCo when it was 6 months. Additionally, my observation is that in common with the rest of the organization, product development has become very 'process focused'. My untutored thoughts (based on anecdotal evidence) are that the required cycle time in Domestic AR at this point in its development phase will be close to 3 months. This short time is bolstered by my observation of your move from proprietary to purchased components. The shift to integration of other supplier offerings into a common platform and integrating software with the objective of capturing innovation in real time will profoundly speed up the development cycle. Additionally, your intention of working with a community of development suppliers and a body of open source programmers gives you speed and imagination but your people have almost no experience of managing or developing in such a context.
2. As you and others have indicated to me before one of the most profound strategic and cultural differences in business is the distinction between B2B and B2C cultures. LegacyCo has been almost totally B2B in its focus. This is reflected in our visual and technological design. Frankly our people could never have come up with the new Pear design; the aesthetics and underlying design assumptions are simply beyond them. This is not a negative criticism, simply a statement of fact. Unless you intend replacing the development team hollus-bollus I think you need to seek outside design help.
3. Finally, Project Vole was developed under wraps by a hyper-dedicated team. My observation is that this team has bonded at a deep level and feels an overwhelming sense of ownership of the offering. As more – perhaps many more – people become involved, all of whom will lack the intense commitment (again anecdotal evidence) the original team will try to 'hang on' and will resent the interlopers and perceived parasites on their success. You are going to have to manage the process of 'letting go' or you may stunt the transfer from invention to innovation and slow the process of scaling up dramatically.

I would be happy to discuss this further.

John

¹ Action that speeds them up with competence impact

McKinty Management Consultants and Market Forecasters

Domestic Augmented Virtual Reality Market: Kick-Off Scenario

Project Mandate

We were asked to develop a Kick-Off Scenario to illustrate how a new Domestic Augmented Reality Market may play out over the early part of the Secular Growth Curve.

Background

LegacyCo leaning on the mature video camera industry and drawing on the NewCo developments in headsets and equipment integration has developed the first domestic augmented reality system consisting of hardware and software. It should be noted that interest in this market is already rising – but that you have the advantage of a full system approach.

It is proposed that this new category will allow the domestic user to create, amend and play augmented reality content. This is a 10x plus advance on where the industry currently is, which is focused on simply playing commercial content as games and other kinds of media

Competition

It is anticipated that news of this breakthrough has already leaked or will soon. Rapid copying is anticipated, which implies extreme high growth in the market to get ahead of fast followers in our domestic market and the rapid emergence of local suppliers in overseas markets. As the offering consists of bundling existing offerings and gluing them together with highly effective and original software that unfortunately can be replicated. That said, there is some patent protection on the solution to the ‘dizziness’ problem but work-arounds are already appearing.

The Projected Market

The mature market is anticipated to be in the multi-billions of units globally.

Like the NewCo B2B market, the market is expected to evolve rapidly through the classic phases of Early Adopters, Early and Late Mass Markets and the inevitable Laggard Adopters. However, the market structure is very different from NewCo.

The market for NewCo in the B2B context has three niches (education, military, and entertainment). The offering has to fit into existing commercial or institutional boundaries and the selling techniques in each market are very different.

The D-AR B2C market for domestic equipment is anticipated to be radically different from the B2B market. It is expected to be a single market from the start with any niches emerging late in the growth curve. The Early Adopters as drivers of adoption in later buyers will remain important. However, the shift to the Mass Market is expected to be abrupt and the demand curve almost vertical. This could imply severe scaling issues.

Co-opting the Early Adopter

We anticipate an interesting opportunity in the Early Adopter market..

- Early adopters are often tinkerers and ‘techies’ interested in playing with and perhaps contributing through ‘open source’ in the evolution of a new technology category. This group could be hugely valuable for crowdsourcing some of the software integration and creative software development. They could be formed into a community if suitable moderators can be found to drive the community. NB the moderators are the most active in such communities.

To derive the most value from these groups, LegacyCo will need to build a substantial social media – community developer function.

We recommend strong investments in social media and community formation. In these early days you may consider a specialist social media firm.

Regards

Frances

NOTE

As requested the note from the Excom Minutes

EXTRACT MINUTES OF LEGACY EXCOM

Jack Horner led a vigorous discussion of the value of ‘open source’ communities. Developing such a community from tech-savvy independent developers was proposed in the McKINTY REPORT. The advantage was seen as speeding up functionality development by tapping into the ‘crowd’. The disadvantage was seen to be soaking up development time, opening our technology to competitors, and that the time advantage was illusory as integration work would still be required. It was suggested that this was a ‘not invented here’ response and that given the desperate need for rapid growth to dominate any source was important. The NIH accusation was vigorously denied and evidence of working with partners at other times was cited. The discussion broke off in disarray.

Decision referred to the next meeting

NOTE

From: John Rouse. VP HR

To: Sarah Hughes COO

Subject: The New Organizational Reality

Sarah, here is a quick note on our corridor conversation.

We are showing signs of coming out of denial. But, as you know I am deeply concerned about the problems our embedded culture can bring that will slow or kill your efforts with the transformation to D-AR and its likely impact on rapid scaling. People may slow your development because it is all they know.

1. Historically, XYZ was an inward-looking operation with a minimum of external linkages. This contributed mightily to our missing the Pear entry. Even though the purge took out the top team and shocked the workforce many of the inward attitudes are still in place. The D-AR initiative is inherently a networked strategy at the development, production, support, and even marketing and sales levels. Teaching or acquiring people used to deriving value from a network will be critical
2. On the same theme, our people are in shock with the looming downsizing and the crumbling of the corporate mission. By sheer chance we appear to have a solution. The people know that that was Jack Horner's work and that the rest of us are lucky recipients. This diminishes all our reputations for strategic insight. Your team must grab the reins quickly – but humbly. I suggest a high involvement process of vision creation that can bring alignment to the organization and build both knowledge of and commitment to the new strategy.
3. Downsizing is going to be traumatic. The new HR suggested ratios are showing a considerable drop in staffing levels. It will be of vital importance to retain the 'best and most flexible'. The next while is going to be obsessed with speed.
4. You can expect resistance even in your top team to 'modern' or 'uncomfortable' ideas. Witness Jack's reaction to open sourcing at the last Excom. He may be right. But the way the conversation was cut off is disturbing to me.
5. I was delighted with your request to Henry to return the sales and marketing people. However, all of them have B2B histories not B2C. You are going to need intense sales pressure soon, but are these people the right ones to drive it. That said there is going to be great need to work with channels, market partners, and new acquisitions. If you do not find them as useful as you thought, it would be sad to treat them shabbily. I may be able to help there.

John