

Navigating through disruption

A playbook for the future



WIPFLI

What can you learn from disruption?

These are times of rapid shift. It doesn't matter how much we plan — change is inevitable and often unpredictable. Whether it's a disruptive new technology, the loss of critical talent or an unforeseen event, we will continually be faced with chaos and challenges.

The ability to shepherd our organizations through change is the critical task of leadership. We can lay the groundwork for resiliency, but when crisis strikes, we must adapt. New ways of thinking become paramount to survival.

This is a playbook for the future. It's about learning to become a student of disruption — how to recognize the takeaways of any crisis and integrate them into the way we do business. And it's about building the foundations we need to survive disruption when it comes.



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Change versus transformation

Sometimes we use the same definition for these two words. But our experience shows that transformative strategies are more effective than those focused on change. Only by forcing a completely different thought process are organizations able to push through to a new state.

Transformative thinking is difficult but necessary in executive leadership. It relies on letting go of what we're comfortable with and being willing to work beyond the boundaries of the current system.

Working "in the business" while being transformative about what needs to take place "on the business" is challenging.

For most of us, this work is uncomfortable, requiring skill and patience.

The following illustrates the mindsets of change versus transformation:

Change

Evolution

Keep most of what we do and add some new

Control the pace

Gain acceptance/alignment

Prepare the culture

Slow build of progress is acceptable

Thinking in the system

Transformation

Revolution

Keep the best of what we do and throw out the rest

Immediately align to a new direction

Create a sense of urgency/need

Instill passion and incite a movement

Immediate need to revise and reinvent

Thinking outside of the system

Transformative thinking playbook



Don't do it alone

Transformative thinking is a team sport. Being as creative as you can be while constantly challenging your own assumptions is simply impossible. Find the leading thinkers in and out of your organization. Now is the time to establish that team and have them ready to go.

Practice

Like any new discipline, transformative thinking is both a process and a skill. You can learn and become proficient in it, but you must practice often. A good time to practice is when you can take the time to learn and master the skill — not during the disruption.

Keep up a cadence

You can't dust off transformative thinking and practice it every five years. We recommend that you engage in this type of thinking three times a year. If we have learned anything, disruption will be thrust upon us more often than we see it coming. Practicing on a set cadence will make you better.

Get a guide

The right coach can push your team forward while managing participant discomfort and emotional energy. Outside perspective can be the difference between “daring to disrupt” and “disruption that divides.”

Get better at prediction

Many leaders ascended to their position because they did their job well. But some find the transition from doing to leading difficult. After all, your daily tasks and responsibilities did not include keeping a watchful eye on the changing world like a futurist.

Leaders often don't schedule time for strategic thinking because they have too many other things to do. To build your predictive capabilities, you need discipline, rigor and cadence.

Establish a habit of strategic thinking and acting. And work on expanding these skills not just within leadership but to the entire organization.

Culture of innovation

For example, one large insurance company has representatives throughout the organization charged with being curious about the world. These team members gather ideas that intrigue them from articles, podcasts, books, YouTube® and so forth. The group meets monthly to discuss these ideas and then advances three key topics to leadership. Through this process, the company researched and invested in blockchain and became a thought leader in the industry.

Agile thinking

Other companies have borrowed the "Agile methodology" from software design and adapted what we call "dynamic planning." Dynamic planning embraces change. It implements cross-functional teams working in smaller planning cycles in an iterative model.

Dynamic planning assumes that market conditions and the plan itself will change. It sets the expectation that our understanding of a problem will evolve as we learn, and our plan has to reflect that.

Problem solving

Unsolved issues obstruct leadership's ability to break down barriers for the people they lead and can stall more meaningful progress. In times of disruption, issues mount like an overflowing glass of water. If you are not disciplined and focused on solving them, they eat away at your crisis plan and render it ineffective.

Have the discipline to face and solve your organization's issues as they arise. Identify the underlying problem (which may not be the stated problem). Discuss it in an open environment. Then assign actions steps. Even if your team isn't in complete agreement, most can live with a solution that's been reached through healthy discussion.

Learn and unlearn

Scientific and technological knowledge is doubling approximately every five years. This implies that everything we know today — which is a lot — will represent only the tip of the iceberg in the near future. Much of this yet-to-be-created knowledge will require us to unlearn some of the things we know today.



Respond and react

Great executives prepare themselves to be both people leaders and strategy leaders. Strategy leaders take in the big picture. They make the difficult decisions that position the business for the future while meeting current demands.

But to be effective, strategy leaders must also understand how to move a team. They must know how to allay fears, build confidence and inspire others when disruption is at its greatest.

Here's what that takes:

1. Dial up emotional intelligence

Emotional intelligence (EQ) is the ability to recognize emotion and use it to create positive energy. EQ is a blind spot for many leaders, especially those of us who ascended the ranks during the command-and-control leadership style of the 80s and 90s.

In times of disruption, people need to process their emotions. As a leader, you need to acknowledge those emotions to maintain trust, commitment and connection.

EQ leaders are simply more dialed in, more connected and not afraid to use listening skills over verbal skills. They value building relationships of trust that encourage people to be open, honest and transparent. The good news is that EQ skills can be learned with coaching and intention.

2. Adopt a collaborative mindset

Command-and-control leaders are declarative in style. They determine the solution they believe to be right on their own, with fierce conviction to see it through.

But collaboration and inclusion are powerful leadership abilities, especially during times of disruption.

Leading with a collaboration mindset means your style shifts from having the answer to discovering it. It means you listen to the people you work with before you decide on a solution. It's the firm belief and conviction that more feedback is better than less.

3. Learn to call audibles

Great NFL quarterbacks hold two distinctive characteristics. One is the ability to play the position with proficiency. The other is the courage to change the play at the line of scrimmage when needed – in other words, to call an audible.

Calling audibles is both instinctive and a learned skill. **From a strategic perspective, calling audibles is the ability to explore multiple alternatives to the same problem.** Learning to lead based on thinking through multiple scenarios can help you call an audible when needed.

Leaders often get in the habit of driving to one solution and disregarding all alternatives. That one solution doesn't always work. Think of the time you could save if you could shift and execute the next likely scenario instead of starting over. That's why the best time to think through scenarios is before launching your initial plan.

4. Prepare for the pendulum swing

In the midst of disruption, you are in crisis relief mode. Many times, the temptation is to get past the disruption before planning forward.

But great leaders plan forward, reenergizing their cultures with new direction as fast as they can. **Planning forward in disruption creates confidence that leadership has its eye on the future.** As soon as you've addressed the disruption, revamp, revisit and restate your direction.

We recommend looking out 36 months and creating your ideal picture of the future. One year is too short to instill confidence. Being wrong is not the issue when planning forward – not taking a swing is.



Prepare for disruption: Financials

Our world is in continual motion, and we easily forget how we have all come to rely on that motion — whether it's goods being delivered or our money moving from our account to pay an essential bill. The movement of funds, goods and people is such that, when the merry-go-round stops, we all fall over.

What can you do before (and during) a crisis? How can you be certain that you will have the funds required so that your business can survive such an event?

1. Distinguish between leading and lagging

Leading indicators are those events that cause a customer to purchase your products. Lagging indicators tell you results that have been achieved. What do you know? What can you predict? What matters most?

2. Analyze your data

Does your [financial planning and analysis](#) (FP&A) system allow for good data collection and analytics? How rapidly can this be done? In a crisis, time will be of the essence.

3. Look into outside help

If you can't source FP&A talent internally, consider outside specialists. An outsourced resource can provide immediate support and help you identify or train a longer-term in-house solution.

4. Craft a crisis financial plan

Once you have a good understanding of the data, the tools and the talent, it's time to craft a plan.

Crafting a crisis financial plan

President Eisenhower was famous for saying that plans are useless, but planning is essential. There is no time like a crisis to prove his point. By crafting a crisis financial plan, you'll gain a deep understanding of your business. At its core, what does it do well, and what does it absolutely need to function?

The following are proactive steps you can take to better prepare for a financial crisis:

1

Review your accounts receivable terms:

The standard payment terms may no longer be sufficient and should potentially be revised. In a crisis, should you offer discounts? To whom and for how much?

2

Review accounts receivable per customer:

What customers make up the majority of accounts receivable?

3

Review your accounts payable:

To whom do you owe money? Under what terms? How flexible is the supplier?

4

Evaluate your inventory levels:

What products or SKUs are core to your operation? Do you have ample inventory on hand and a path to get more to continue operations?

5

Evaluate staffing levels:

In the event of a financial crisis, how can you reduce payroll? Understand what happens if layoffs are needed.

6

Review key costs:

Determine which costs you might eliminate, reduce or renegotiate.

7

Review all agreements:

Look at current and upcoming commitments and determine if you could restructure, delay or cancel some of them.

8

Establish a deeper relationship with your financial institutions:

Learn what options may be available. Be sure to clearly understand your existing debt covenants.

9

Forecast cash flow:

We typically call this a "sources and uses" document. Start with a quarterly projection covering major cash inflows and outflows each week. Begin each week with a starting cash balance, and end with an ending balance. This helps you to understand periods of cash difficulty and gain time to maneuver.

Prepare for disruption: People

Maintaining and building a powerful life-giving community in our respective workplaces is one of the greatest responsibilities of leadership. This must be a proactive task — one that best comes before there is a crisis on our doorstep.

What can you do before (and during) a crisis? How can you be certain that you will have the funds required so that your business can survive such an event?

1. Focus on community over culture

Community building is a powerful concept. When functioning properly, a community meets the needs of individuals and also sustains itself in times of crisis.

A focus on community building changes the way you approach culture. Old culture committees are now community impact teams, and members represent all the layers and levels of associates that exist in the organization. They are charged with keeping the organization healthy and ensuring leadership is dialed in to the issues that need to be addressed.



2. Establish a cadence of communication

Great communities have a transparent ongoing communication strategy that flows throughout the organization. Communication takes time, energy and effort, and leadership needs to own it.

Be prepared to say the same thing often and cascade it throughout the organization through different communication strategies (e.g., town halls, monthly meetings, roundtables). By doing so, your ability to communicate through disruption is part of your ongoing strategy and not anything out of the ordinary.

Why is this important? Sometimes mixed messages or communicating so intensively during a crisis can cause panic. A well-thought-out communication plan manages future speed bumps and allows leadership to maintain the robust cadence they established during times of normalcy. It takes perceived panic out of play.

3. Schedule regular check-ins

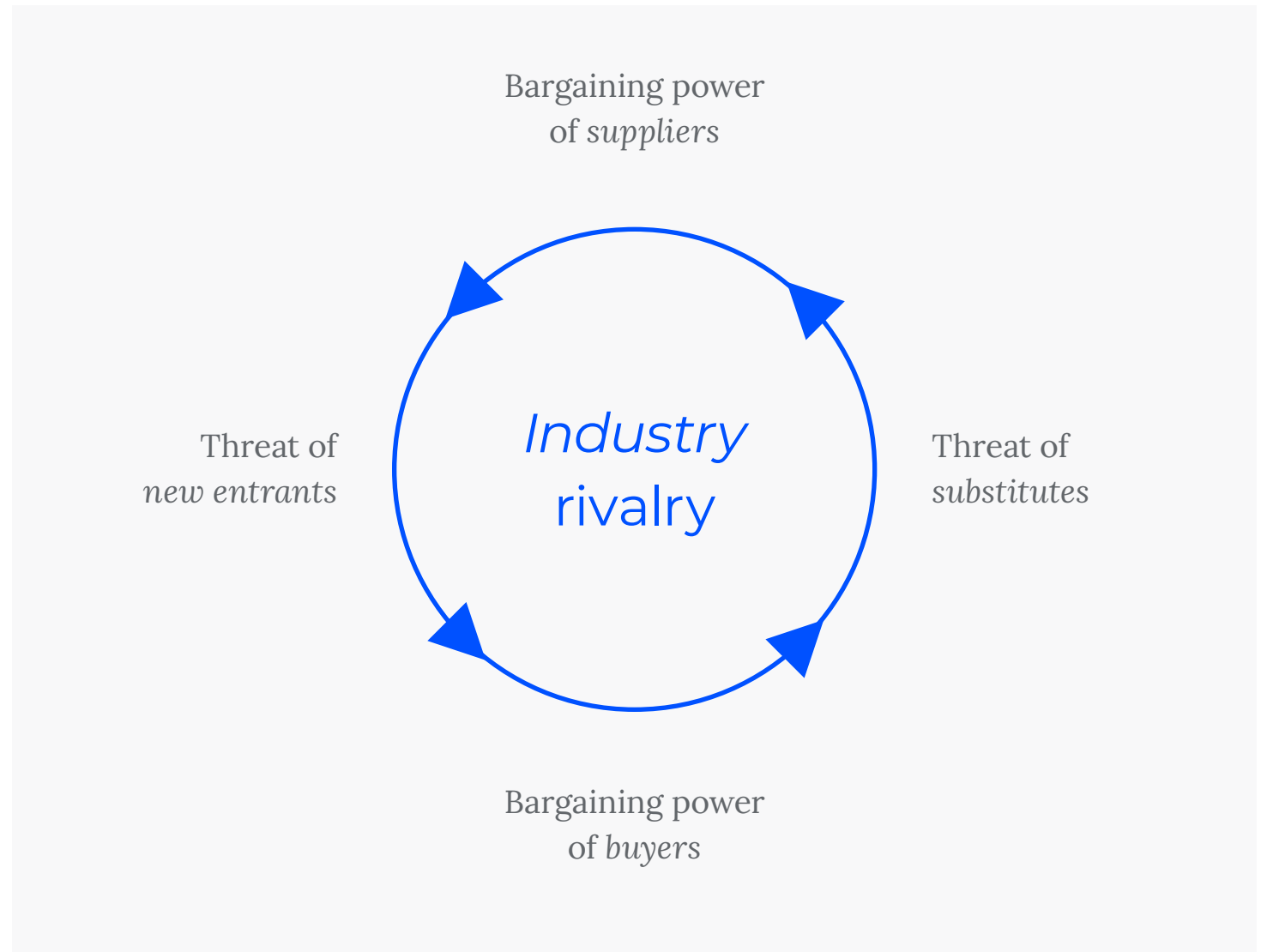
Two of the hallmark characteristics of trusted leaders are listening and compassion. As a leader, the more you embrace this strategy, the more you build trust. Even though we intuitively know this, it rarely happens without some intentionality.

When disruption occurs, lean into building meaningful relationships of trust by checking in frequently. Can you give two hours each week for quick check-in calls? Build 15-minute meetings into your schedule and hold yourself accountable. If you can, you'll see the benefits of added connection with your team, including improved morale.

Prepare for disruption: Supply chain

In 1979, Michael Porter developed an analytical framework for assessing the competition a company was experiencing. He placed a company at the center of a series of relationships between its suppliers and buyers and between the twin threats of new entrants and substitutes. An illustration of the model looks something like this graphic to the right.

This framework can be useful beyond a competitive analysis, as a tool to assess a company's vulnerability to disruption. Companies are used to facing threats — they face them all the time — but a crisis can uncover systematic vulnerabilities that companies may not have spotted before.



Suppliers

Examine your suppliers in the context of your vulnerability to a supply shock. Simply put, a supply shock is an unforeseen event that dramatically changes the price or availability of a good or service.



To accurately assess your risk based on the unique factors surrounding each of your suppliers, consider the following:

- Where are they located? What infrastructure in that geography supports them?
- How many of them are there? Multiple suppliers present logistical challenges, but this distribution may be an asset if disruption occurs.
- Who are their suppliers, and how vulnerable are they to supply shocks?
- What distribution channel do they rely on to provide you the products or services you need?
- How much inventory do they have on hand? At what point will their inventory levels affect your ability to get what you need?

Buyers

As with suppliers, Porter examined the bargaining power of buyers to better understand how much power they have. Ask yourself these questions to better understand your vulnerability:

- How many buyers do you have? Having several large buyers can have both positive and negative connotations.
- How easy is it for a buyer to switch to one of your competitors? How dependent are your buyers on your products? Generally, it's better if switching is difficult and dependency is high.
- What infrastructure does a buyer rely upon to procure your goods or services?
- How long is the purchase process? If it changes dramatically, what would that do to your business?

New entrants

The threat of new entrants is self-explanatory. All companies are subject to competition from upstart competitors. But during a crisis, competition can come in ways we're not expecting.

Some good questions to ask yourself include:

- Who could most easily become a competitor?
- How far is that move? What would it take?
- What incentives exist for such a conversion?
- Remember the old Jeff Bezos dictum that “your margin is my opportunity”? How could opportunity or margin in your industry induce new entrants in new ways?

Substitutes

A supply crisis can be a lesson in substitution. If one thing isn't available, consumers have to switch to something else. Consumers constantly evaluate what good or service can be substituted for another and do more of it when needed.

Questions to ask yourself include:

- What are the most likely substitutes for my products or services?
- How easily could a buyer switch to using one of those substitutes?
- What products or services could my products or services substitute for?
- How easily could buyers switch to us?

How do you put this into operation?

By examining the ecosystem in which your company operates, you can better understand your strengths and weaknesses – as well as the strengths and weaknesses of those you depend on. This analysis can help you invest in stability.



Prepare for disruption: Technology

The current pace of change is the slowest it will be at any time in the future — let that sink in.

Technology has been front and center as the key disruptor throughout the global economy. We must make connections between what we do, the technologies we use and the external uncertainties that loom.



How should you assess your technology posture in times of rapid change? Instead of a SWOT analysis, try a quarterly situational analysis instead:

- What is working well?
- What is failing?
- What risks are in your actions or inactions?
- What trends could affect your business, both positively and negatively?

Don't just ask the technology department. Find out from your internal and external end users. Doing this frequently enables fail-fast-forward capabilities. You can make quick adjustments to the business landscape while minimizing investments in endeavors that just are not making the grade.

More importantly, expand your reviews from the technology itself to other systems that may prevent you from using technology to its fullest potential. How does your organization manage change? Do you have a culture that supports the adoption of new technology? What policies might hinder innovation?

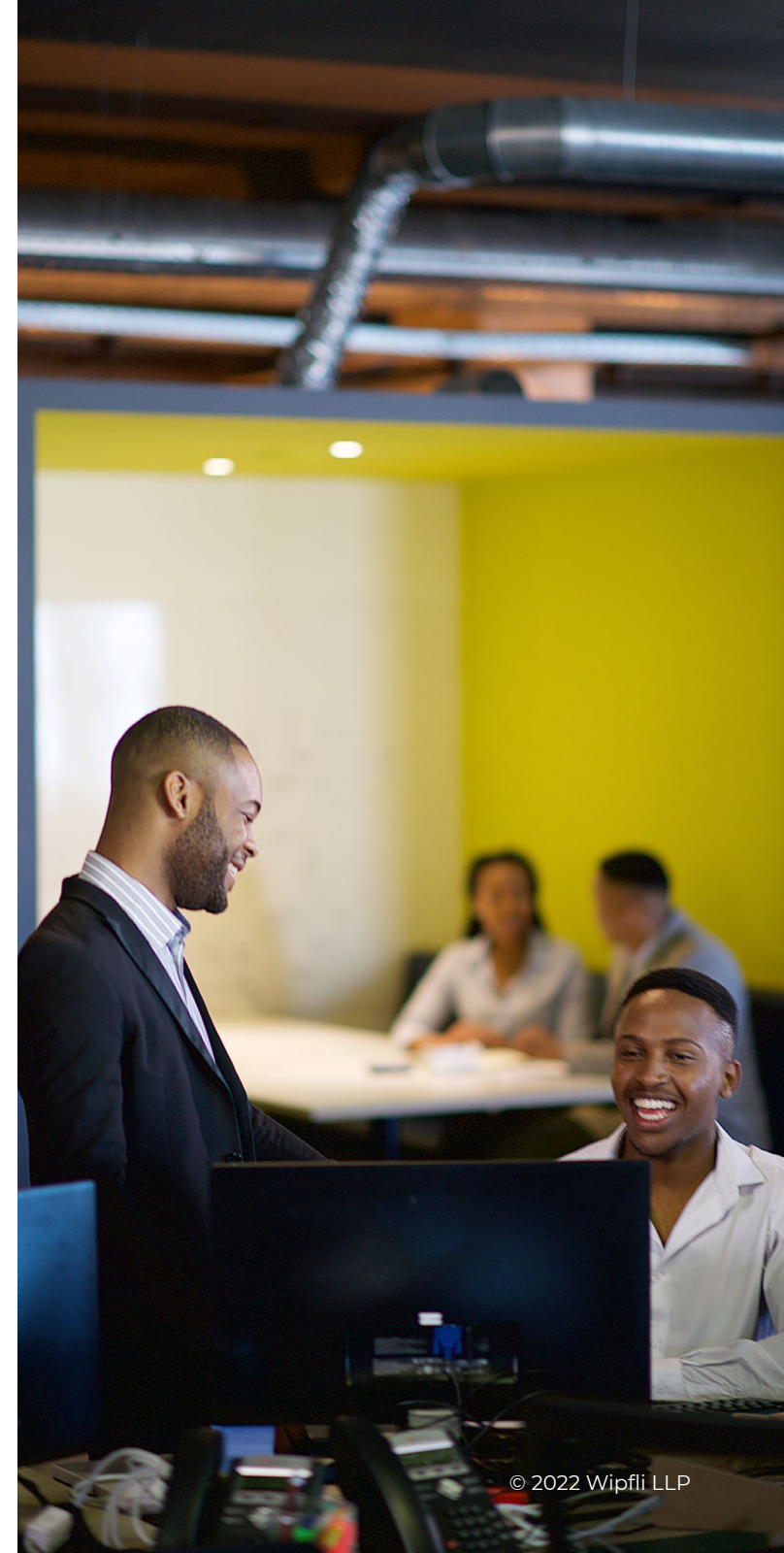
Digital transformation

Digital transformation is the process of using digital technologies to create new — or modify existing — business processes, culture and customer experiences to meet changing requirements. It is reimagining business.

Bill Gates made this prophetic statement in the 90s: “Banking is necessary, banks are not.” What he recognized was that the banking industry was based on a required function. This function is now enabled by artificial intelligence, blockchain, mobile and other technologies. Nonbank entities have become disruptors to traditional banking. Many other industries have been similarly disrupted, such as taxis by Uber® and movie rentals by Netflix®.

Ask:

- What is our current business model, and how will technology change it?
- What are the most innovative organizations inside and outside of our industry doing?
- How will the needs and expectations of our clients (internal and external) drive our technology decisions?
- Are we anticipating trends, or are we more comfortable reacting?
- Do we have the right infrastructure to support our technology decisions for today and several years into the future?



Build, train and achieve success

People

Only with the right people can you optimize your organization's performance to sustain growth and achieve success.

We work alongside you to prepare for the future and perform at new levels. Using proven methodologies and data, we help you build the high-performing team you need.

Our solutions include:

- Executive coaching
- Leadership development
- Team development
- Predictive Index®

[Learn more ▶](#)

Strategy and culture

A culture that's not aligned with your strategy or business needs is often at the root of failed projects.

We help you measure and improve your culture by providing employees with the resources, support and motivation they need to improve performance and more deeply engage in change.

Our solutions include:

- Strategy alignment
- Team engagement
- Vision clarity
- Learning outcomes
- Data confidence
- Change management

[Learn more ▶](#)

Operations

Achieving operational excellence is only possible by aligning your finances, technology and people.

Our team can help you get there. We bring valuable insight to help your organization solve its most pressing challenges and thrive well into the future.

Our solutions include:

- Talent management
- Strategic HR resources review

[Learn more ▶](#)

Disruption can shock
your company's ecosystem.
We can help you push
through it.

Perspective changes everything.

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