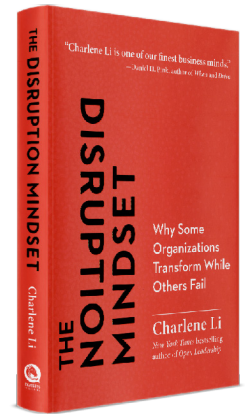


The Disruption Mindset

Why Some Organizations Transform While Others Fail

by **Charlene Li**



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THE SUMMARY IN BRIEF

Many companies believe that if they develop the right innovation, they will disrupt their markets forever and drive growth worthy of a magazine cover story. But in *The Disruption Mindset*, best-selling author Charlene Li explains that's not how disruption works. Disruption doesn't create growth; growth creates disruption.

Disruptive growth requires companies to make tough decisions in the face of daunting uncertainties: Should we bet our company's future on next-generation customers or today's reliable ones? Should we abandon our current business model for an entirely new one? Making bold changes demands bold leadership and, often, massive cultural transformation.

Li shows that organizations don't have to be tech startups or have the latest innovations to transform. They need to develop a disruptive mindset that permeates every aspect of the organization. *The Disruption Mindset* will inspire leaders at all levels to answer the call to lead disruptive transformation in their organizations, communities, and society.

IN THIS SUMMARY, YOU WILL LEARN:

- Why strategy, leadership, and culture are the three key elements for developing the disruption mindset.
- To focus your strategy on future customers.
- The importance of building movements for successful disruption.
- To hardwire disruptive beliefs into your organization's operating system.

Introduction

Most innovation efforts fail because they focus on developing innovations without thinking through whether and how these will create growth and change.

Disruption is not only innovation. Many companies want innovation to be a carefully managed process with minimal disruption to the status quo. Innovation is the snooze button of corporate strategy, pushing tough decisions into the future. Don't settle for innovation alone.

Disruption is not about technology. Instead, it's the application of existing technologies in new ways that enables it. Uber was a simple app that matched available drivers with riders, transforming the customer experience using GPS tracking and seamless account payment. While each of these technologies had existed for years, it was bundling them together that was unique and disruptive. Disruption is not always fast and unpredictable. And it isn't only for startups.

So what *is* disruptive transformation? Transformation is the process of changing from one state to another. You can go through that change process in a gradual, incremental way that causes as little discomfort as possible. Or you can tackle it head-on and bear the stress and strain of the change to capture the opportunities created faster and sooner. Here, the focus is on the latter because there is too much at stake, and too many problems and issues to address, to settle for the slow path.

Research has uncovered three elements common to the organizations that have thrived with disruption.

Element #1: A strategy inspired by future customers to make big-gulp decisions. To create disruptive transformation, you need a strategy—a plan of what you will do and won't do to achieve your objective because you can do anything, but you can't do everything. A disruptive transformation strategy requires that you turn your back on your current customers, their attractive size and profitability, and anticipate where they are going to be in the future, where the growth and value potential will be. Customers will always move faster than the organizations chasing after them.

Element #2: Leadership that creates a movement of disruptors. Disruptive change requires a special kind of leadership. It requires that leaders actively and systematically create a movement to achieve the future desired state. There will be times when the road ahead is strewn with boulders. Being part of a movement sustains and energizes people to find a way to climb over those obstacles. When you are part

of something bigger than yourself, you set aside your personal pain and discomfort to achieve that shared goal.

Element #3: A culture that thrives with disruption. To execute your disruptive growth strategy, you need a culture that thrives at the edge of disruption—one where everyone is focused and acts in concert every day to make that transformation happen. The problem for most incumbents is that culture takes years to set in, and it's incredibly difficult to change.

Let's learn how to move from talking wistfully and vaguely about "disruption" to making disruptive transformation and exponential growth a part of your agenda every day.

The Simple Secret of Successful Disruptive Strategies

A new technology rarely results in breakthrough growth. Google and Facebook didn't introduce the search engine or the social network, respectively; their products were third-generation iterations of technology that already existed. Breakthrough growth is born from an uncanny ability to see the future and direct all the resources of your organization to chase after it.

For most incumbent organizations, there's just one problem: your familiar, profitable, existing customers. The customers of today look pretty good. Why on earth would you drop them to go after another group of customers, especially if it's not clear if those new customers actually exist? No, no, executives say. It's much safer and better to stay with what you know.

But disruptive, exponential growth comes only from your customers of tomorrow. Future growth lies elsewhere—and you need to plan accordingly.

It is extremely difficult to accurately predict and define the future. But you don't need to predict the future. Instead, make an educated guess about one thing and one thing only: what you think your future customers are going to need. The more confidence you have in your understanding of those future customers, the more likely you will be to choose to chase after them, even at the expense of today's profitable customers.

Best Practices to Focus on Future Customer Needs

To orient a disruptive growth strategy around future customers, you need to systematically and intentionally build an ob-

A customer advisory board can provide you with insight and feedback on what you are doing well and what you could be doing better.

session about customers, and especially future customers, into the DNA of your organization. Here are a few best practices:

Put customers in your dashboards. Take a look at your personal dashboard, and see where and how customers are represented. Are they even there? If customers are in your dashboard already, how are they represented? Do you have mainly “vanity metrics”—things like counting revenues, products sold, and number of customers? Or do you include meaningful “relationship metrics”—things like lifetime value, customer satisfaction, and loyalty? Finally, is your future customer represented on your dashboard?

Spark curiosity about customers. Your employees, and especially those who interact with customers every day, have firsthand knowledge of what’s really going on with customers. Digital collaboration platforms can quickly spread that knowledge to the top echelons of the organization. Ask your team to gather examples of what customers say, do, think, and feel for different types of customers. You can collect these examples from formal interviews, focus group sessions, or informal observations from listening in on call center calls.

Create a customer advisory board. A customer advisory board (CAB) can provide you with insight and feedback on what you are doing well and what you could be doing better. Don’t stack the CAB with your biggest and best current customers. Instead, find the customers who push you to do things in a different way. Ask your sales and customer service teams who the most insightful customers are, the ones who challenge the way your company works.

Preparing for the Big-Gulp Moment

If you want to create meaningful transformative change, it is guaranteed that you will not have all the answers and that not everyone will be in 100 percent agreement when it is time to make a final decision. In that moment, you will need to make the best bet that you can given what you know at that time.

So how do you prepare yourself and your organization for that inevitable big-gulp moment? Successful organizations

all followed some variation of the following three-step strategy blueprint that you, too, can follow to prepare for your big-gulp moment:

Build the Case with Rigorous Research

If you want to make a solid case for your disruption strategy, here are a few things to keep in mind:

Invest the resources and time needed. Depending on how disruptive your ambitions are, you will need to set your timeline and investment horizon in terms of months, if not years. Plan and set expectations accordingly.

Secure the right data about your future customers. You will need a reference point of customer needs for your deliberations—a centering truth that everyone can look to for inspiration as well as a reality check.

Find champions within your organization. Your case will be more robust and battle-tested the more you can get other people and departments to help you build the case.

Get Buy-In with Transparency and Dialogue

The major reason people do not buy into a coming change is that they feel uncertain and unsure of what this will mean to them. If they can’t understand the change, why it’s happening, and how it might affect them, you can’t have a discussion with them. But if they understand it, even if they don’t like it, you can at least have a discussion and try to come to an agreement.

Here are some ways you can foster transparency throughout your disruptive transformation:

Invest in relationships, culture, and values long before the change. Look at the values of your organization. How can they be of service in the journey ahead? It will be a long, tough road, and being able to link the changes you are making back to the core values of the organization will be a significant asset you can draw on.

Create structure for the uncertain future. Redundancies and layoffs are almost always an inevitable and un-

fortunate part of disruptive transformation. Rather than try to avoid talking about this reality, you are better off being open about the fact that people will have to be let go so as to minimize uncertainty.

Burn the Boats

In 334 B.C., at the tender age of 21, Alexander the Great set out to conquer the formidable Persian Empire, ruled by Darius III. Alexander sailed a fleet of 120 ships across the narrow Hellespont Strait into enemy territory. He knew that his men were outnumbered five to one, but he could sense victory.

His first order to his captains: “Burn the boats.” Confused, his men asked why they should destroy the one thing that could take them safely home. Alexander answered, “We will go home in Persian ships, or we will die here.” They went on to conquer Persia.

When you aim for disruptive transformation, the road ahead is so difficult that you must commit yourself and your organization completely. There can be no turning back. There must be total and utter conviction that the path forward is the only one to take. The following best practices eliminate distractions and help you become wholly committed to the success of your disruptive strategy.

Set a deadline. Set a deadline, ideally one that instills a bit of a panic in you and forces you to hit it. One person bought a first-class nonrefundable ticket to Japan for a product launch.

Experience what it feels like to be all in. Give yourself and your team a taste of what it feels like to be all in with a short sprint project. Do it right, and you will all be looking forward to more.

Remove dabblers and right timers. Dabblers are people who like to dip their toe in the water; unable to commit to one direction or the other; they like to keep their options open. Right-timers find a way to say, “It’s not the perfect time to move. We need XYZ.” Stay away from them or, better yet, move them out of your team or even the organization. You need people who are ready to be fully committed and all in with the strategy.

Leading a Disruptive Movement

A movement is simply a group of people working together to achieve a particular set of goals. In movements, the vision and purpose develop a life of their own, moving

beyond the influence of a single leader to be taken up by those who want to be a part of the change.

To drive disruptive growth, everyone affected by the growth strategy must understand it and how they play a part in it. They must also be inspired to believe that together, they will achieve things they once thought were impossible.

Disruptive leaders recognize that movements aren’t controlled; they are inspired. When people are inspired, they make the movement their personal mission, going the extra mile, moving a lot faster, and driving growth exponentially.

Research reveals three ways to build a movement: identify followers and define your relationship with them, write a manifesto that inspires action, and sustain a consistent leadership presence.

Identify Followers and Define Your Relationship with Them

Imagine that a year from now, you are holding a meeting with those most involved in your movement. Who is in the room? Who’s running the meeting? How are decisions made? How much are you talking during that meeting? Consider these two best practices:

Identify your first followers. You need only one or two people to get started, but don’t jump at the first person who raises a hand! Take a moment to define who your ideal first follower would be—not so much in terms of a specific person but the capabilities and resources that person or persons would bring to kick-start the movement.

Define the relationship from the follower’s point of view. What’s in it for them? How will followers feel about their relationship with you a year from now? Trust and relationships don’t develop in a vacuum; they are built with each successful interaction between people.

Write a Manifesto That Inspires Action

A vision statement is a single sentence (usually) that serves as a shorthand way to capture where you want to be in the future. The problem is that a single sentence leaves much to interpretation.

Manifestos paint a picture of the future in bold, vivid detail. A manifesto is a public declaration of the objective and intentions of the organization. It is written with future customers in mind, telling them why you exist and documenting what your organization believes in. The manifesto also attracts people—employees and customers—who want

to be part of your movement.

To write a manifesto, start with a rant. Business writer Shannon Tanton recommends identifying what's wrong with the world. How would things be so much better if only people did something differently? Then, flip the rant into a belief. Turn each negative rant into a positive statement. Then, add what you are going to do to act on that belief. A manifesto is a playbook that lays out how those beliefs will “manifest” in the real world. Follow this simple template: “We believe [that something is true] and that's why we will [do something].”

Sustain a Consistent Leadership Presence

As leaders, we've been told to be humble, to be servant leaders, to put our organizations ahead of ourselves. The problem is that we've confused being humble and prioritizing the company with not being visible—that is, not being out there reminding people of our shared purpose and vision. That's why it's important to remind them over and over again the *why* of what you are all doing.

From the start of his tenure at T-Mobile, John Legere championed listening to customers. He visited call centers to talk with employees and sit in on their calls with customers. He had a line installed in his office so he could easily listen in on customer service calls at any time. But more important, he quickly learned to harness social media platforms to drive the movement internally and externally.

It was shortly after T-Mobile's Un-carrier strategy was launched that Legere tried out Twitter (at the suggestion of his daughter) as a way to have direct contact with customers. Legere uses his Twitter presence to constantly promote T-Mobile, bash competitors, and listen to and respond to customers. He replies constantly to people who mention him on Twitter.

Why does he do this? Because he's leading by example: showing what it means to be customer obsessed and on a mission to convert everyone into a T-Mobile subscriber because he believes the organization is better for them. Legere's ability to single-handedly drive engagement with customers and prospects is a key part of the T-Mobile Un-carrier strategy.

There are two steps to leading and sustaining a movement. The first is getting comfortable with being visible and leveraging the many digital and social technologies at your disposal. The second is to be constant and consistent in feeding your movement. Listen to customers and employees. Share your hopes and fears, and engage with your followers directly.

Also, be constant and consistent in your support of the

movement. Keep it simple. Create a tagline or use an acronym that serves as a simple reminder of the “why” behind the strategy. Make repetition a habit, but mix it up by sharing new stories that show the impact of the strategy. Try out new channels (take a photo, do a Facebook Live interview) to reach new audiences.

There's no place for managers here. Everyone needs to be a leader.

Developing Disruptive Leaders

If you want to create disruptive growth, you not only need to be a strong disruptive leader yourself, but you also need disruptors sprinkled throughout your organization to make it happen. Out of necessity, you must hone your disruptor skills while also identifying other potential disruptors and nurturing them out of their comfort zones. There's no place for managers here. Everyone needs to be a leader.

Disruptive leaders share a few characteristics. At a high level, they exhibit the characteristics of “psychological hardiness” originally proposed by psychologists Salvatore Maddi and Suzanne Kobasa. They are more likely to put stressful events into perspective. They perceive them as less of a threat and more as challenges and opportunities for personal development.

Hardiness is made up of three attitudes: Commitment refers to belief in a higher purpose or truth, which results in disruptive leaders' ability to find meaning in their work and give it their best effort. Control refers to leaders' beliefs that they can influence the events taking place around them with their efforts. Challenge is the disposition to see problems as opportunities rather than threats.

Here's how to develop disruptive leadership in yourself and others.

Commitment: Developing a Shared Vision and Purpose

Here are two ways to sharpen the mindsets and behaviors that will help you and the leaders you are developing craft a shared vision and purpose for your disruptive transformation:

Encourage dreaming. You won't try new things if you don't believe that things can be better, so dreaming is the first step to identifying possibilities.

Mirror back their deepest desires. For most of us, what we desire the most is meaning, not money. We want to know that in the time we spend on this earth, we have made a difference. The best disruptive leaders tap into this longing by explaining the purpose so people understand their role in achieving it.

Control: Creating Stability and Ownership

One of the biggest problems created by disruptive transformation is that the tremendous uncertainty makes you feel as if you are not in control of the situation. There are so many unknowns, things are changing quickly, and simply staying on top of what is happening is all you can do. To increase your and your organization's ability to step into power and control a situation, consider these best practices:

Iterate and prepare for worst-case scenarios. The beauty of worst-case scenarios is that they give a name to the unspeakable. By anticipating and preparing for what could go wrong, you're visualizing you and your team in these stressful situations. This allows you to understand and interpret the data and situations and focus on weighing which risks are worth taking.

Create support networks. Change is hard work, and disruptive transformation is exhausting and lonely. Find the key people in your organization who will help you carry the torch of change, because you will need a break to recover.

Challenge: Recasting Failure

It's only when you make mistakes and fail that you learn. Recast failure as an opportunity to learn.

Plan little experiments to foster curiosity. When you identify an area where you or your organization is being resistant to change, plan an experiment where the outcome is uncertain but the perceived risk is low. The goal here is to create a sense of curiosity about the unknown and the freedom to experiment to figure it out.

Practice optimism. People who survive ask, "What is the next step I need to take to get out of this situation?" For those of you who are not wired to see the glass as half-full, partner with a compatible optimist so you can share your different perspectives of the same situation. Exposure to a different mindset is the first step to changing your own perceptions.

Disrupting Your Culture

Culture determines how much disruptive transformation your organization can create. It is either the limiting factor or the growth engine. As your strategy shifts to address new growth opportunities, the way you work will most likely have to change as well, along with your culture.

Cultures that seem to live in a state of perpetual flux and thrive can be called flux cultures. Three beliefs that appear in flux cultures and organizations, regardless of their size or industry, are openness, agency, and action. These three beliefs are the secret sauce that enables disruptive organizations to live in a perpetual state of flux and see challenges as opportunities rather than obstacles.

The Openness Belief: Create a Foundation of Trust

When you are pursuing disruptive transformation, openness is especially important because it creates accountability, it forces difficult conversations, it removes fear of failure, and it creates opportunities for diverse perspectives to filter up. Here are some best practices.

Create a safe and inclusive environment. Regular communications like all-hands meetings, email updates, weekly conference calls, and so on are great, but unless they show a commitment to including people's ideas in a safe space, they won't be effective.

Identify crucial places where trust is low, and address them with openness. If malaise hangs over a stuck organization, go right to the core of the problem: Where would trust make the biggest impact? Work with the affected teams to deepen a belief in openness and develop better ways of sharing.

Put vital data and information where they can be best used. Make sure the data that will most sway a decision are readily available to the people who need it.

The Agency Belief: Giving Permission to Act Like Owners

Organizations that believe in giving all their employees agency—that is, the capacity to act independently and make their own choices—help them see themselves as owners and leaders of their transformation strategy. When they identify a need for change, they make it happen—and do so regardless of their actual title or role.

Amazon has 14 "Leadership Principles" that serve as the

Disruptive organizations . . . build flexibility into the structure to support chasing after new opportunities to serve future customers.

foundation for the company's strategy and culture. Two of those leadership principles get at the heart of what it means to give your people a sense of agency over decisions.

The first principle is "Ownership," which Amazon defines in this way: "Leaders are owners. They think long term and don't sacrifice long-term value for short-term results. They act on behalf of the entire company, beyond just their own team. They never say, 'that's not my job.'"

The second principle is "Have Backbone; Disagree and Commit." This is how Amazon defines that principle: "Leaders are obligated to respectfully challenge decisions when they disagree, even when doing so is uncomfortable or exhausting. Leaders have conviction and are tenacious. They do not compromise for the sake of social cohesion. Once a decision is determined, they commit wholly."

The Action Belief: Working at the Speed of Opportunities

The action belief is the sustained ability of an organization to recognize change opportunities and move quickly while executing at the highest levels. If your organization needs to increase its belief in action, consider adopting some of these best practices:

Increase and measure change capacity. Organizations with the action belief embrace the need to constantly change and evolve. Measure your organization's comfort level with change. Survey employees on how comfortable they are with change and whether the prospect of change on the horizon makes them feel energized or weary. Conducting this audit will identify places where you need to focus your transformation efforts.

Define the decision field. If you want people to feel comfortable taking risks, you have to clearly define which mistakes and failures are tolerable and which aren't. Define the boundaries of the field they are playing on, explaining that as long as they stay on their field, they are free to go anywhere the customer and market may take them.

The Flux Culture Operating System

Just adopting disruptive beliefs isn't enough to create and sustain disruptive transformation in your culture. You need to also hardwire those new beliefs into the organization's operating system so the desired disruptive behaviors become the norm rather than the exception.

Most people think that "disruptive culture" means that a lot of highly creative people do their own thing with little coordination or alignment. Disruptive organizations show just the opposite: highly creative and accomplished people working together within clear structures and processes. By not having to worry about how to get work done, they just focus on doing great work with each other.

Disruptive organizations take the time to define their flux culture by systematically developing the three cultural elements that comprise an organization's operating system: structure, processes, and lore.

Structure: The Backbone of Your Operating System

What disruptive organizations do exceedingly well is build flexibility into the structure to support chasing after new opportunities to serve future customers.

Understand and accept the truth about your organization. Conduct a close audit of your organization. Dig down to find where the disconnects are between your organizational structure and how work really gets done. Uncomfortable truths will surface quickly. Accept them and plan how the future organizational structure will take that reality into account while supporting the future desired state.

Organize around future customers, not products or functions. For example, Intermountain Healthcare, the largest healthcare provider and insurer in Utah, moved from a geographically-defined structure into a system-wide structure with two main groups, a Community Care group focused on making sure people stay healthy and a Specialty Care group to serve patients who require hospitalization or specialist procedures.

Processes: The Lifeblood of the Organization

Processes are the blood that flows throughout your organization. If they flow well, you feel strong, capable of running long and hard. If processes don't work, it's like having a knot in your muscle—you can still move but at a limping pace.

Demonstrate the benefits of the processes early on.

Simply telling people that order is needed won't work; you'll have to explain why processes will support your disruptive transformation. There are two key benefits of processes: your organization will build better products and services for your customers, and it will attract high-performing people.

Create accountability for consistently high standards.

By being clear about "what good looks like," you are defining the parameters of great performance. But standards alone aren't enough; you also need the grit to follow through with consequences if they are not met.

Lore: The Soul of the Organization

If organizational structure is the spine and process is the lifeblood of culture, then lore is its soul. Rituals, symbols, and stories remind and connect everyone—from executives and employees to partners and customers—about what is important and valued in the organization.

Lore builds connection and trust among employees through repeated experiences that have a shared meaning. It's the telling and retelling of the lore—its repetition and consistency—that creates culture. Aligning your company's lore with the objectives and values of its disruptive growth strategy can help create and sustain a flux culture. Here are two best practices:

Be disciplined about creating lore. If you start a new

ritual, commit to doing it every time it's expected. Don't be shy about repeating the same story over and over again. Be predictable, and continually connect the lore with a specific business need.

Schedule story time. Create space, no matter how small, for people to share their stories. Story time can be built into ceremonies of recognition and departures, staff meetings, and weekly communications.

If you want your organization to sustain breakthrough growth for decades, then settle in and get comfortable with disruptive transformation. It's your fate to want to change things for the better, to heed the call to step forward, and be crazy enough to believe that change is possible. May you have success in creating the exponential change that our organizations, society, and world so desperately need.

IF YOU LIKED THIS SUMMARY, YOU MIGHT ALSO LIKE:

- *Open Leadership: How Social Technology Can Transform the Way You Lead* by Charlene Li
- *The Road to Reinvention: How to Drive Disruption and Accelerate Transformation* by Josh Linkner



For the past two decades, Charlene Li has had the fortune to be an author and analyst, exploring and explaining the new world and society being created right before our eyes by new technologies. In 2008, she founded Altimeter Group, which disrupted the industry analyst world dominated by players like Gartner, Forrester, and IDC, and which was acquired by Prophet in 2015. Charlene has authored five books, including the *New York Times* best-seller *Open Leadership* and co-authored the critically acclaimed *Groundswell*. She appears regularly in media outlets such as 60 Minutes and the *New York Times*, and speaks all over the world.

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