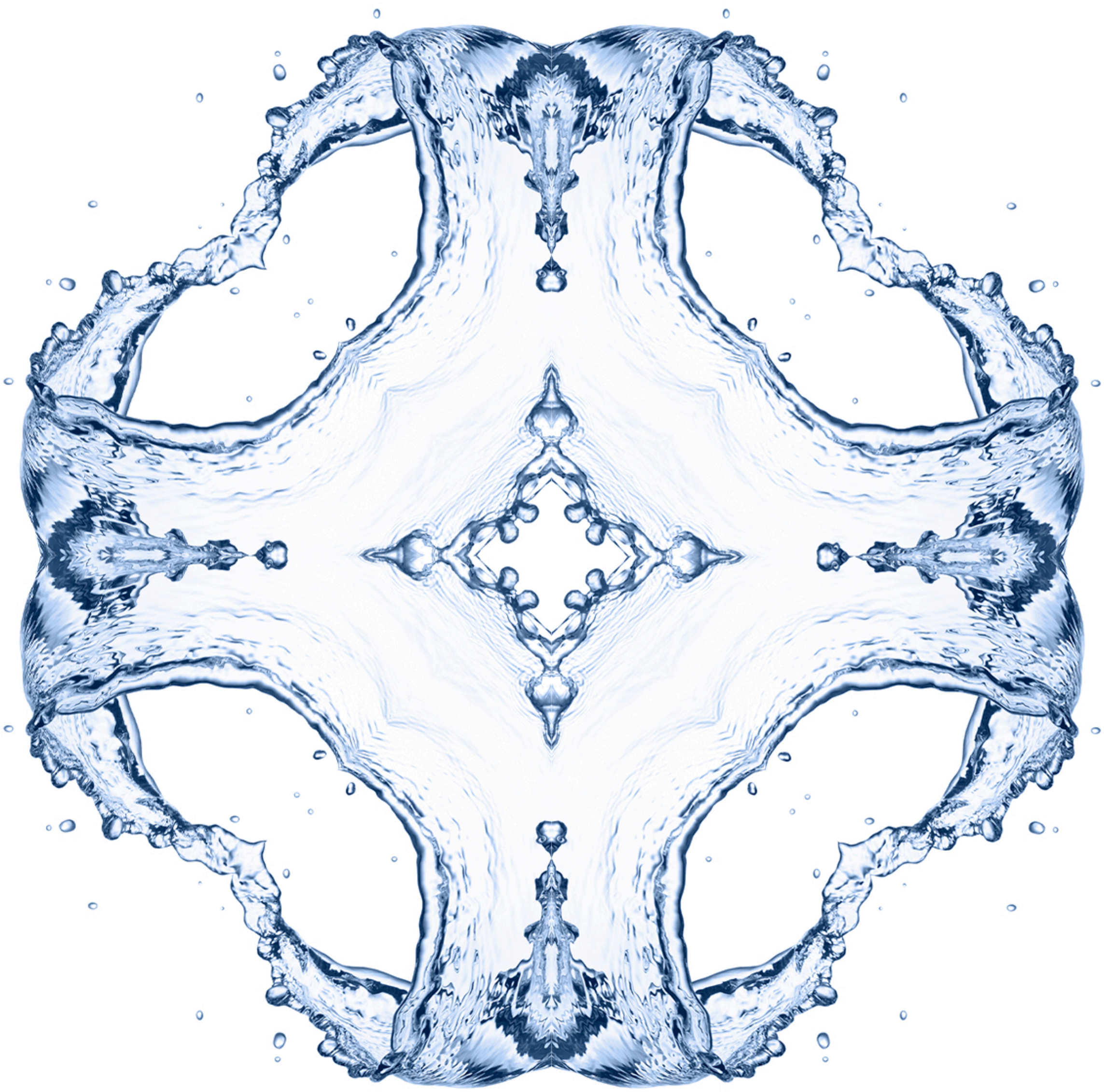

The Next Wave

Real stories on leading through risk, crisis, and disruption featured in the Resilient podcast series

The Next Wave
Doubling down on disruption

Change is never easy. If you're a market leader and status quo has you on top, why would you challenge what's made you successful to date? Alternatively, if your company is struggling with more than its fair share of problems, where do you start to right the ship?

How about learning from real leaders who have successfully dealt with these kinds of challenges head on? We've captured those powerful learnings and unfiltered insights in our Resilient podcast series. Here are top recommendations from several leaders for driving change during big waves of risk and disruption:

Be brutally honest
Few sectors have seen more disruption than the newspaper industry. Pew research shows that more than 126 daily papers closed and the workforce shrank 39-percent over the course of two decades, as people increasingly turn to cable and online platforms for their news.[1] "It was a steep learning curve," **Dallas Morning News** Publisher and CEO Jim Moroney told us, citing a shrinking subscriber base and precipitous drops in advertising revenue at his paper. Just as challenging, however, was the internal groupthink among colleagues who kept attributing these troubles to routine market fluctuations.

Sensing a bigger disruption at hand, Jim worked to build more realistic perspective through a "permission to speak freely" culture that encouraged colleagues to share unvarnished assessments and opinions. The result was a bold new strategy to bolster online platforms alongside the print edition. The digital transformation helped save the paper and taught Jim a key lesson on the need for clear-eyed perspective on the business and the larger industry context: "If you're ever in a disrupted industry, I just can't tell you how important that is," he says.

GameStop CEO Paul Raines shares a similar view. "Look in the mirror when times are bad," he says, describing his company as a "family" trying to survive in a gaming industry constantly rocked by disruption – including shifting revenue models like in-game purchases; fast-changing consumer preferences; and more bandwidth and developer tools that keep lowering the barriers to entry for new competitors. In this environment, Paul says the only way to "keep the family together" is to keep evolving GameStop's culture as a company. "There are wolves at the door all the time," Paul told us. "What are you going to do today to protect the family?" As it turns out, his answer to this question points to our second recommendation for driving change.

Be bold
GameStop's way of protecting the business is to get ahead of disruption by investing heavily in anticipating consumer trends. A prime example is GameStop's use of its PowerUp rewards program to gauge consumer preferences and leverage those insights to influence business strategy. GameStop also surveys consumer wish lists around game console merchandise in order to shape decisions on future product offerings. And, when a few stores tested the popularity of collectibles – capes or statues of comic book characters, for instance – the response was so positive that GameStop started selling collectibles everywhere. "We pushed all this merchandise and it sold like crazy," Paul told us, saying GameStop is now on track to sell $1 billion annually in collectibles by 2020. "That's been a tremendous growth story."

Also, don't forget to reexamine your own assets for hidden value. That's what happened when **Burt's Bees** revisited its branding for the company's line of personal

[1] Pew Research Center, June, 2016, "State of the News Media 2016"

Jim Moroney & the Dallas Morning News

- The Morning News survived disruption that put many other daily papers in America out of business.
- Success involved digital transformation and a "brutally honest" assessment of company risk.

Key insight: "Have open, honest communication that has conflict in it, and work through the conflict to come up with answers."

Mike Indursky & Burt's Bees

- The company self-disrupted its own branding to reposition itself as a leader in natural personal care products.
- The shift led to new profitability and partnerships with major retail chains

Key insight: "If you're not doing something different, you're going to wind up failing."

Paul Raines & GameStop

- GameStop is more profitable than many competitors in the highly disruptive gaming industry.
- Paul relies on a business strategy focused on predicting consumer preferences and tying those insights to future business decisions.

Key insight: "Where are consumers headed...what are you going to do today (to prepare for that)?"

Ron Kiskis & Chevron Oronite

- Ron leveraged big data and analytics for a financial turnaround of Chevron's refining, marketing, and transportation business.
- He's authored best practices for the oil and gas industry to become more data-driven, but says no amount of information will eliminate risk.

Key insight: "Even very, very credible information can be conflicting...I still think that you're going to have to make decisions when you're uncomfortable in that you don't have all the information that you'd ideally like."

care products. "We were a very cute, quirky brand that happened to be natural," recalls Mike Indursky, the former CMO of Burt's Bees. Recognizing that the entire market was shifting emphasis toward natural and healthy products, Mike led the charge to refocus the brand more centrally around its natural origins to proactively position Burt's Bees "where the world was going."

Regardless of your industry or company, perspective and proactive insight are only as good as your ability to deliver on the third recommendation – to take concrete action in the face of disruption.

Turn risk into opportunity

Burt's Bees found success by backing up strategy with concrete action. While Mike encountered some internal resistance from some who were wary of shifting the brand – especially when it came to changing the look of some packaging – his arguments ultimately won out and the action paid off with lucrative new partnerships with major, household-name retailers and department stores. Mike says this didn't happen before "going through a lot of nay-sayers" at the company.

It turns out that the best way to convince those nay-sayers to take action may be to point out the risk of inaction, or what former **Chevron Oronite Company** President Ron Kiskis calls the risk of missed opportunity. "If you make no decisions, that's just a foolhardy way of trying to avoid risk," Ron told us.

While Ron helped Chevron navigate disruption by leveraging modern sensor data and other big data sources that are changing how energy companies operate, he says there will always be uncertainty and risk. More information brings with it more decisions to be made. "And so, by definition, you're running some risk," Ron explained, saying all actions and decisions involve risk. "But if you're trying to live in a no-risk world, you're not going to capture any opportunities."

Moving forward

Disruption is not going anywhere, and leading organizations need to develop a systematic approach to deal with unexpected change by accelerating discovery, scanning ruthlessly, confronting biases, and preparing for surprises. Evaluate strategic decisions not only in terms of the risk of doing something – but also in terms of the risk of not doing anything. Ask yourself and your team questions such as what's the impact on revenue, market positioning, and competitive advantage if we don't change?

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Let's connect

If you would like to learn more about how leading companies are navigating risk, crisis, and disruption, we would welcome the opportunity to talk with you. If you have your own resilient story to tell, please let us know.

Learn more

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