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Running Backwards

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The Ancient Greeks believed that, when approaching the future, we walk backwards—because, though we know where we come from, we don't know where we're going or what to expect along the way. Our risk is increased by the fact that, when we approach unexplored paths and uncertain conditions, we tend to base all our decisions on the only certainty we have: the experience of the past. The result is that no matter how cautiously we proceed, we are likely going to fail—or at least take the wrong way and get lost at some point.

This concept is still true today. Although we have much more visibility into the future compared to that of the Ancient Greeks, the current BANI scenario—again: brittle, anxious, nonlinear, and incomprehensible—is such that every prediction incorporates a considerable margin of error. In fact we could argue that, in a world that changes at the speed of an algorithm, the margin of error is exponentially higher. Therefore, it's not so much that we are walking backwards—we're *running* backwards. If we apply this metaphor to the way companies and other established organizations function today, we realize that this tendency to interpret information and make plans based on previous experiences is one of the main reasons why so many fail to catch what Steve Jobs called the next wave. In an unstable and fast-changing world, the more you rely on the past, the more you fail to read the present and foresee the future. The problem is that the majority of managers have been trained for more stable scenarios—where a competitive advantage would last for tens of years and companies could confidently alternate between exploration and exploitation and maintain a positive return on investment. Those managers who built a successful career

applying principles that no longer apply find themselves ill-prepared today. Although from a biological standpoint this approach has significant precedence—our brain is engineered to cut corners, memorize patterns that proved to be true, minimize uncertainty, and save energy—it becomes very dangerous in the post-digital world, a brittle environment dominated by volatility.

The world changes faster than our companies and institutions can adapt, and humans are instinctively more prone to defend the status quo than to forge unexplored paths outside their comfort zone. Therefore, the majority of established companies struggle to cope with constant change and maintain their position vis-à-vis new-generation competitors and emerging technologies.

In 1975, Steve Sasson, an electrical engineer at Eastman Kodak, invented the first handheld digital camera. Though Kodak patented the concept, they opted against commercial production. Why? Kodak had told Sasson they “could sell the camera, but wouldn’t—because it would eat away at the company’s film sales.” As Sasson told the *New York Times* in 2015: “Every digital camera that was sold took away from a film camera.” “That was the argument. Of course, the problem is pretty soon you won’t be able to sell film—and that was my position.” Another dealbreaker was the anticipated time to market. Sasson shared: “When you’re talking to a bunch of corporate guys about 18 to 20 years in the future, when none of those guys will still be in the company, they don’t get too excited about it.” Kodak’s decision-makers had chosen the wrong lens through which to evaluate the potential of that opportunity. (Although they did benefit from their patent on the concept, they ultimately went bankrupt.)¹

However, in many cases an innovation process can be slowed down, if not arrested, even when the top management of the company is aware of the market trend and the time to market is mature.

As Clayton M. Christensen and Michael Overdorf have pointed out: “It’s not that managers in big companies can’t see disruptive changes coming. Usually they can. Nor do they lack resources to confront them. Most big companies have talented managers and specialists, strong product portfolios, first-rate technological know-how, and deep pockets.”² What managers often lack is the ability, possibility, intention, or courage to act. Perhaps because the company is private and the owners are not willing to pivot a business that is indescribably linked to the name of the family. Or maybe because the company is public, and the repercussions on the stock value until the move pays back would be hard to digest for the shareholders. Or because the high turnover of top managers in today’s ultra-competitive market is such that most of those who are in charge today won’t be working for the same company in five or six years, which is the typical time horizon for a strategic move to start paying dividends (similar to what happened to Kodak).

We could argue that another trait of the post-digital era is the need of a “digital maturity”—the ability to separate the voices from the echoes regarding if and how to leverage digital technology to disrupt a business. For example, though it would be terribly naive to pretend that digital transformation will have no impact on the way a company operates, it’s also true that not every company, process, or business model requires a full digital transformation, as we noted in the Introduction. In fact, there are circumstances where it is better to not fully embrace an innovation—even

when such seems to be the logical choice. As Freek Vermeulen writes in “What So Many Strategists Get Wrong About Digital Disruption”: “In many businesses, digital technology will complement and alter the incumbents’ existing resources and capabilities, but it certainly won’t always entirely replace them altogether. Therefore, when making strategy, the focus should be on identifying complements, rather than assuming complete substitution.”³

Speed of Change

The decision of how much, at which speed, and with what intensity your organization needs to adapt is what makes the difference between success and failure. In the case of Eastman Kodak, for example, while it makes sense they didn’t suddenly U-turn toward the digital camera, they could have accepted the possibility of a disruption and started planning for the new scenario. Again quoting Vermeulen, “Business models and competitive advantages are complex systems . . . made of multiple elements [simultaneously interacting].”⁴ There are situations where change will happen at the speed of an algorithm, and others where transformation will take time to produce visible results. Managers need to calibrate their actions according to all these variables.

A great way to understand this complex dynamic is the resources-processes-framework elaborated on by Christensen and Overdorf in 2000. Established organizations are the result of the interaction of their tangible resources (employees, real estate, stocks, vehicles, factories, technologies, money)

and less tangible resources (brands, customer data, software, patents, contracts, clients, suppliers) following specific corporate *values*, which the authors define as “standards by which employees set priorities that enable them to judge whether an order is attractive or unattractive, whether a customer is more important or less important, whether an idea for a new product is attractive or marginal, and so on.”⁵

In my experience [Giuseppe Stigliano speaking here] at the helm of international marketing communications companies, we’ve encountered this situation multiple times. On the one hand, the Internet had disrupted the business model of advertising, and new digitally native competitors were putting a lot of pressure on traditional agencies. But on the other hand, there was an intrinsic inability to react that derived from the organizations’ culture—that intricate mix of consolidated processes perpetuated by the people in charge. In one particular instance, the opportunity arose to acquire a small supplier in order to internalize their skills and reinvigorate one of the service lines. However, once the due diligence was completed and both parties had reached a mutually satisfactory verbal agreement, the operation was vetoed by the agency’s parent company since the supplier didn’t meet all the necessary formal requirements. And, the business case didn’t impress enough to justify making an exception: the potential of the additional market share just didn’t seem big enough to bother with. Nine months later, that supplier was acquired by a competitor—and the merger was later celebrated by the business community as one of the most successful acquisitions in the realm of marketing technology of the last ten years. The acquired start-up flourished

within the larger company and triggered a wave of growth on account of its ability to meet customers' needs. The opportunity for regret gets even worse: that established agency's time-tested criteria left it completely blind—for years—to all sorts of potential M&A (merger and acquisitions) opportunities. Those supposedly insufficient emerging players all had the potential to scale very fast if provided with the right infrastructure of capital and capabilities by a company with relevant awareness and flexibility of vision.

To conclude, the more ossified an organization's culture, the less likely that alternatives will be considered and exceptions made—sometimes to great detriment. Running backwards toward the future is an unwise approach in turbulent times.

Reflection Summary Questions

- If you are part of an organization, ask yourself: Does your organization's culture (resources, processes, values) allow you to thrive in the post-digital world?
- Does the management team have the power, the ability, the means, and the courage to challenge the status quo?
- Rather than sticking to what has worked in the past, and rather than expecting a clear plan before taking action, are you prepared to accept change, embrace uncertainty, experiment and fail, and learn by doing?
- How can you embrace the right mindset to identify and therefore avoid a Kodak moment in your personal and professional life?
- Which are the “values” that guide you and the organizations you are part of?