Seven Key Characteristics of Disruptors and What Legacy Companies Can Learn From Them

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When working with leaders in legacy companies—those born before the digital age—to help them navigate the disruptive era, we are often asked questions like, "what makes Disruptors so effective?" "What are they doing that we aren't"? And, "we know it's not just digital, or technology, that makes them different…what else distinguishes them from companies like ours?"

Of course, many well-known Disruptors are also digital era start-ups, so they don't carry the weight of the Industrial Age in how they operate or in what guides them. And, of course, as well-funded start-ups, they are often free of the financial constraints most publicly-held legacy companies operate under.

Still, we believe there are seven critical characteristics that distinguish how Disruptors think and operate from the prevailing patterns dominant among most legacy companies. We also believe that, while these characteristics lend themselves most easily to the digital, start-up nature of most Disruptors, legacy companies seeking to play a more disruptive role in their industries can and should find ways to adapt or harness them as well.

1. Truly Putting the Customer First

Disruptors are first and foremost, truly **customer focused**…much more so than firm-centric legacy companies. Disruptors understand that the dramatic rise in customer expectations is driving many critical market-success dynamics, such as:

- that customers increasingly want personalized experiences;

- they want to be part of co-creating products and services they use;

- that, if delighted, they can be even more loyal than before, but can also abruptly dismiss a company that fails to follow through on its promises or is too difficult to deal with;

- that providing a "breakthrough customer experience" can alter customer loyalty to the exclusion of competitors and raise the bar for others in an industry--and even in other industries.

Disruptors put the customer at the center of nearly everything they do. They approach the relationship through always seeking what they can learn from their customers from a position of empathy for the customer experience and for the total customer journey.

By contrast, they understand that even the latest Industrial Age customer service methodologies, such as Customer Intimacy (CI), Voice of the Customer (VOC), and Net Promoter Score (NPS), are essentially extensions of traditional firm-centric thinking, in which customer input is still framed within the mental models about products and services of the provider. They know that such frameworks often prevent legacy companies from learning what is happening on the edges of their markets, and with "*fringe*" customers—those who are less happy with the experience; more inclined to be experimenting with or adapting offerings on their own; those with points of friction not being addressed by the providing company.
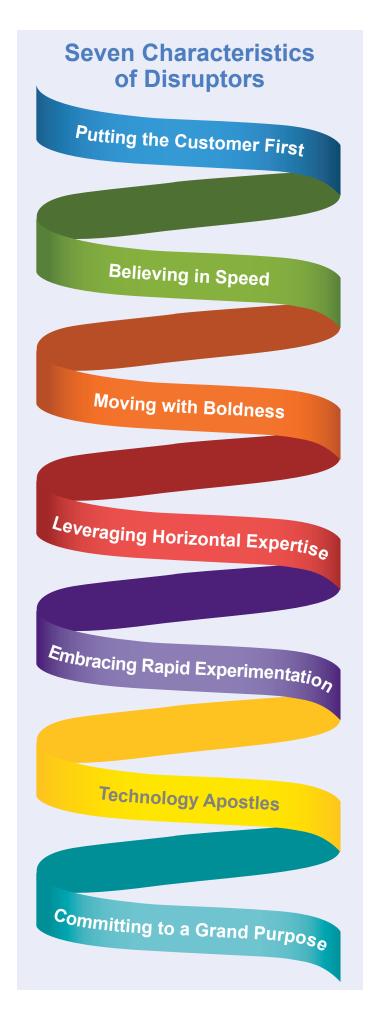
2. Believing in Speed

As a result of being far more customer-centric and aware of how rapidly and suddenly customer expectations can change, Disruptors are also focused on the need for **speed**, as opposed to certainty and predictability. This means:

- speed in getting new ideas to market;

- speed in adopting new technologies and business models that can undergird and accelerate that;

- and speed in identifying and "opportunizing" early successes, while also cutting losses when new initiatives miss the mark.

Disruptors know that, for all that legacy companies talk about speed, for the most part, their systems and cultures are not built for it; to the contrary, they are built for caution; for getting it right; for double-checking; for not making mistakes. And, Disruptors know how hard it is to change this in a legacy company, and therefore, the advantage they have in a world where, as one CEO famously said recently, "the pace of change will never be this slow again."

3. Moving with Boldness

Putting customers and their rapidly changing expectations at the center of everything they do, Disruptors also know that they must move with **boldness** to maximize opportunities. To do so, they aim for radical (10X), rather

Seven Characteristics of Disruptors

Putting the Customer First

Believing in Speed

Moving with Boldness

Leveraging Horizontal Expertise

Embracing Rapid Experimentation

Technology Apostles

Committing to a Grand Purpose

than incremental (1 or 2X), innovation. They know that radical innovation is game-changing because it:

- dramatically increases the possibility that customer loyalties will be re-structured significantly toward the Disruptor;

- will probably freeze the market in the Disruptor's favor while competitors—even agile "me, too" players—struggle to catch up.

Disruptors know that radical innovation will very likely mean the contraction and even collapse of prior market segments, (think Netflix and the introduction of online viewing at the expense of its DVD-through-the-mail business) but are not afraid of that. They know that the pace and amplitude of change will constantly give rise to multiple new opportunities to create value. They also know that that failing to move big and fast to leverage these opportunities will likely be fatal in today's winner-take-all economy. So, unlike most legacy companies, they incline toward action rather than caution and would rather fail here and there than wait too long and miss a window.

4. Leveraging "Horizontal" Expertise

Just as they know there are *multiple market opportunities* out there, Disruptors also know there are *many more ideas* out there waiting to serve them. And, they know that, in today's global world, the fastest-moving companies find ways to mobilize **"horizontal" expertise** and work with creative, imaginative people anywhere via creating eco-systems as a way to *extend, speed up,* and *freshen* the "vertical" domain expertise existing within their four walls.

Disruptors also know that legacy companies, by contrast, act as if *they* are the developers and owners of the essential expertise in their field and that ideas coming from outside their four walls are suspect and potentially threatening. They also know that legacy companies still think of their IP as a restrictive competitive advantage at a time when the world is producing more new ideas than ever before. Disruptors know this is a key legacy company blind spot.

5. Embracing Rapid Experimentation

In pursuit of delighting customers and boldly seizing so many potential areas of market opportunity by moving fast and harnessing a wide range of new ideas, Disruptors also know that **rapid experimentation** is the key to successful execution. Disruptors:

- believe the best ideas come from observing and listening to their customers;

- tee up ideas quickly, testing them in a Minimum Viable Product (MVP) framework with those customers most eager to co-create;

- back their arguments with data analytics; then, commit firmly and clearly to budget and launch decisions within 48-72 hours;

- require that "everyone in the room" state their positions but that once a decision is made, everyone is expected to commit;

- create clear success metrics that, if not met, result in quick shut-downs, the shifting of remaining funding, and a "lessons learned" exercise to help inform future initiatives.

By contrast, Disruptors know that legacy companies seek to "test failure out" of all products and services before launch; to bring customers into the innovation process only cautiously; and to mitigate potential risk by requiring strenuous proof cases and stage-gating processes, as well as multiple levels of approval. They also know that legacy companies, once committed to new initiatives, allow them to linger and continue to divert resources long after the market has left them for dead.

6. Apostles of Technology

Disruptors know that exponential increases in **technological capacities** are a key determinant of rapidly changing customer expectations, as well as the pathway to dramatic change across business processes and business models. Unlike many legacy companies,

they embrace both aspects of technological change early and wholeheartedly. Disruptors:

- pay attention to where and how newly emerging technologies can combine to bring about exponential increases in performance, ease of use and access, and customer applications, as well as dramatic decreases in cost, time, and inefficiencies;

- seek to test and harness these as quickly as possible, working with other partners where necessary, in pursuit of earliest market opportunity;

- know that data-driven technology is increasingly taking the "guesswork" out of business decisions, and, consequently, reducing the premium attached to senior executives' range, depth of past experience, and "gut instinct."

Disruptors know that, by contrast, many legacy companies are stuck "betwixt and between" on technology adaptation, trying to patch lumbering enterprise management systems or waiting for proof cases of new technologies before switching. They also know that executive teams in many legacy companies are still unfamiliar with data-driven management practices and remain most comfortable making gut instinct decisions when faced with unknowns.

7. Committing to a Grand Purpose

Disruptors find a way to **express their purpose grandly,** thus attracting talent that wants to solve "big problems" and be part of something unique, personally meaningful, and "special." They know that:

- this attracts the best and brightest…people who are highly motivated to work at this purpose, rather than just wanting a job;

- that such people will, by and large, want to bring their *whole selves* to the purpose and will respond positively if encouraged to do so;

- that, as a result of this, there will always be great talent out there that will want to join them;

- and, that "leading" in this construct is about enabling and allowing rather than pronouncing, prescribing and patrolling.

Disruptors know that most legacy companies continue to draw upon only that part of their employees' capacities that fit the job description; that many such companies have to compete for even a few of the "best and brightest;" and that many of their employees do not and will not bring their whole selves to the enterprise. They also know that many legacy companies continue to accept that leadership is inherently based on superior knowledge, expertise, and experience gained over time, and is dispensed strategically and wisely.

So, What Can Leaders of Legacy Companies Do?

Disruptors clearly have distinct advantages over legacy firms in a world where the pace and amplitude of change are ever increasing, and customers' expectations are following them. But we believe that these advantages are not unsurmountable and that executives in legacy companies can take pages from the Disruptors' playbook in positioning their organizations more successfully for this world.

We suggest you use the following questionnaire, based on the seven characteristics of Disruptors, to help baseline whether your company might be getting set for the starting gun, is warming up in the training room, or is still trying to find the stadium.

Disruptor Characteristic	Questions for Legacy Company Leaders
Customer-focused	• When you're with customers, is it more "we" than "you"? • Do you listen more than talk? • Are you aware of the "job the customer is trying to complete" for *his* or *her* customer? • Are you empathetic to your customers' challenges? • Are you actively seeking out customers on the fringes of your business? Are you listening to what they say for new opportunities? • Are you focusing on where customers experience points of friction in dealing with you?
The Need for Speed	• Are you looking for ways to speed up how fast your company moves? • Are you constantly looking for ways to eliminate or reduce processes that slow you down and create points of friction with customers, both external and internal? • Are you challenging other leaders on your teams to find ways to increase speed?
Going Bold	• Are you personally offering up your "boldest" ideas and solutions, or holding them back? • Are you encouraging others to think as boldly as possible? • Are you rewarding boldness when others engage in it? • Are you driving conversations with your stakeholders about the need for more speed and boldness?
Rapid Experimentation	• Are you actively encouraging fast experimenting with new ideas and rewarding those who do so? • Are you watching out that the organization doesn't "punish" experimenters? • Are you thinking "lots of little bets," rather than "big bets"? • Are you celebrating when new, and especially unconventional, ideas bring wins in the marketplace? • Are you celebrating when things don't quite hit right, but lead to some key learnings for the next time?
Leveraging Horizontal Expertise	• Are you using practices like crowdsourcing, competitions, and prizes to unleash ideas across your organization, or within your broader eco-system? • Do you see a "good idea" as a "good idea," even if it comes from someone who does not work on it directly, or doesn't even work for your company? • Do you find yourself thinking, "what does that person know about this...that's not their expertise?"
Technology Apostles	• Are you keeping up with new technologies, or the combination of them, that could exponentially impact how your product is made or your service is created and delivered? • Are you advocating for the rapid adoption of data-driven, transparent information systems that can speed decisions up and lead to greater confidence in them?
The Grand Purpose	• Have you and your colleagues thought about how to express what your company does in the form of its "grandest purpose?" • Have you asked your employees what they are most passionate about in working for your organization? • Have you asked them what purpose they would like to serve that they could not pursue anywhere else?

For more on Disruptor mindsets and behaviors, see our white paper, "*A Disruptor Innovator Profile: Spotting the 'Disruptors' in your Midst*," from July 2018. For more on whether you are truly driving disruption as a legacy company leader, see our white paper, "*Are you Truly Driving an Agenda that is Disruptive?*" from October 2018.

Overview

This white paper is part of a new series focused on navigating through the Era of Disruption and the Dawn of Exponential Times. The aim is to illuminate the opportunities available in this extraordinary era and to clarify the unprecedented transformations needed at the organizational, leadership and individual level in order to meet the challenges at hand and leverage them for growth. Papers in this series include:

1. **What Got You Here Will Leave You Here** – Explore how this Era of Disruption is dramatically different than living in a "VUCA" world – where volatility, uncertainty, complexity and ambiguity reign. The dawn of exponential times promises to deliver 10x and higher benefit only if we can reinvent our organizations and ourselves for new ways of leading, thinking, and relating. (June, 2016)

2. **How Can We Develop Leaders for Exponential Times?** The ways we have developed leaders in the past will no longer be enough to face the unprecedented challenges inherent in this era of disruption. Not only must the leadership skills for this era be reimagined—we must also reinvent how we develop leaders for exponential times. (September, 2016)

3. **The Key to Conscious Reinvention for Exponential Times** – We are at a stage of human evolution that demands elevated levels of thinking and collective reinvention to thrive in the face of constant disruption. As individual leaders, we must slow down to unearth personal beliefs that hinder rapid transformation and then accelerate new practices to move exponentially forward. This will require identifying key accelerator beliefs and practices that each of us can utilize to advance our thinking and development. (December, 2016)

4. **The Case for the Humble Incumbent –** Many incumbent companies in industries that predate the digital era will fail to make the transition through disruption and into the exponential era, and many factors will contribute to determining that. Our experience is that those that we call "Humble Incumbents"—organizations fundamentally infused with, and built around, humility—will have the strongest base to work from. This paper shares the results of our research with senior leaders of global organizations across several legacy industries that are being confronted with the challenges and opportunities posed by disruption and reveals key insights and winning practices of those who are mastering the journey. (July, 2017)

5. **A Disruptor Innovator Profile©: Spotting the "Disruptors" in Your Midst** – Leaders in legacy organizations often believe they must look outside for the kind of talent that can spark and lead disruptive initiatives. We agree, but we also think they should not overlook the latent talent that might already exist inside their organizations as well. The key question is, "how do we identify potential disruptors within our own workforce?" This paper outlines nine key behaviors of what we call "disruptor innovators©"—employees who could be harnessed to help accelerate the process of leveraging disruption for growth. (July, 2018)

6. **Are You Truly Driving an Agenda that is Disruptive?** As we work with executives in legacy organizations trying to leverage disruption for growth, questions that often comes up include: "Am I actually leading from a disruptor innovator perspective?" "How do I really know if I am driving an agenda that is truly disruptive?" This paper identifies several guiderails leaders can use to help them, or others in their organizations, to better gauge if they are thinking from a disruptor perspective or driving a disruptor agenda. (October, 2018)

7. **What is Exponential Leadership?** While many organizations have been focusing on developing greater adaptability and agility in leaders in the face of increasing turbulence, our experience is that this approach does not go far enough. Disruption and exponential times are already demanding more extreme tolerances in leading, so as companies disrupt and reinvent their business models, so too must leaders reinvent themselves. (coming soon)

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