

Identify and Address Disruptive Threats Head On

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New technologies are spreading disruption across industries year after year, re-writing the rules of engagement, paving the way for new competitors, and putting established players back on their heels if not out of business. Think what Expedia has done to the travel business, what Uber has done to the taxi business, and what Amazon has done to the retail business. And there is certainly no sign that technology's disruptive influence is waning.

Given this reality, it's critical that small and medium sized enterprises (SMEs) continually survey the competitive landscape, identify potential sources of disruption for their industries, consider how these disruptions could impact the company specifically, and then prepare by developing or acquiring the right internal capabilities and resources to adapt.

That's easier said than done of course, and there are two major reasons that SMEs often don't follow this course of action. First, successful SMEs have often conducted business the same way for decades—that's what's made

them successful. The idea of changing course after so many years might not merely seem inconvenient and unnecessary but actually foolish. Secondly, most SMEs are running hard to conduct day-to-day business. There's not much extra time to ponder deeply about big picture future disruption, and unlike large companies SMEs don't have the resources for dedicated strategic teams.

Still, given the pace of technology development, the realities of the competitive environment and the consequences of being caught flat footed, it's critical that SMEs do

Highlights

BUSINESS ADAPTATION DEPENDS ON:

- Visible, consistent senior leadership support
- Utilizing trusted advisors
- Fostering a culture of idea sharing and creativity
- Formal brainstorming and incentive processes

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find ways to consider and prepare for the inevitability of disruption. There are four cornerstones for such an undertaking:

Senior Leadership:

Senior leaders must recognize the value of strategically thinking about disruption, and they should put mechanisms into place that encourage this thinking or it won't happen. It's difficult to overstate the importance of executive support. No strategic initiative will get off the ground without this support, and any strategic initiative will wither quickly if senior leaders do not clearly and consistently articulate their support.

Trusted Advisors:

Senior leaders need to recognize the value of having trusted advisors in their inner circle who can constructively and respectfully challenge them, to push the envelope, and get them to think about disruptive threats and opportunities. These trusted advisors might be bankers, accountants, business partners, or even peers with whom they first connected in some social setting. The point being that leaders should not surround themselves with "yes" men who constantly offer congratulations and assurances that all is well. Having people willing to speak truth to power—or at least speak freely and creatively—is a rare and valuable thing.

Corporate Culture:

Besides having a small circle of trusted advisors who keep a long-term perspective in mind, senior leaders need to create a corporate culture that encourages rank-and-file employees to think creatively about disruptions--how to adapt to these disruptions and even benefit from them. When a corporate culture is hyper-focused on day-to-day tasks and deliverables, employees will naturally keep their heads down and blinders on. In fact, this is most employees' default mode. Unless senior leaders work deliberately to nurture a culture that encourages employees to raise sometimes uncomfortable issues, most employees won't. And remember that front-line employees often have the best antenna to sense shifts among customers and competitors.

Formalized Processes:

While executive support is critical in order to foster the right corporate culture, words are not enough. Companies must also put formal processes in place that create the time and place to unplug from the day-to-day business and brainstorm. This could be anything from a corporate retreat every six months or just a few hours every two weeks in a conference room. Of course, there should always be an element of spontaneity to creative thinking (and this is especially possible when the corporate culture encourages it) but leaders

can't rely only on this ad-hoc approach for strategic direction. Besides creating the setting for such brainstorming, leadership should also put incentives in place. One option could be to award \$2,500 a year to the employee or team with the most creative idea that identifies and addresses disruption, and then celebrate those accomplishments at a company event. This kind of significant cash incentive and recognition has two powerful effects. First, it focuses employees on disruptive issues and solutions. Second, it sends an unequivocal message from management that creative thinking about disruption is a priority.

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While technology-driven disruption is a threat to all SMEs, the exact nature of the threat, the potential opportunities, and how they should react are all very specific to each company. Given all these variables, it behooves leaders to engage the entire enterprise to survey the competitive landscape constantly, identify sources of disruption and think creatively about how to address the threat. But whatever challenges a company faces, leaders need to move decisively to express these priorities and remove cultural barriers to change. ■

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