

disruption

Are you ready for the next shift?

Disruption – You Can Prepare for Disruption or You Can React to It

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Reoccurring Problem

Small disruptions are common and happen all the time. We adjust and move forward. Larger disruptions are fortunately infrequent, but when they hit, they can throw us into chaos.

These large disruptions cause serious operational and organizational issues as companies move and adjust to the chaos. Cost explodes, error increases, customer interaction is hurt. Although managers and staff try hard to respond, operational continuity is usually broken. That is the just the first day of the disruption. Then come the longer-term stresses on the organization as people struggle with the cobbled-together business practices, processes, and technology solutions. To get past this first day, everyone will have had to react quickly to keep the workflow in place. IT is often especially hard-pressed to stay in operation and its support becomes spotty as it changes to new ways of doing business. Sound familiar?

All activity is suboptimal in this interim operating model, but the company is still open for business. This interim state can remain in operation for as long as necessary with the business activity will continue to deteriorate over time.

Then, at some point, the cobbled-together new way of working will need to be brought back to either the original state or an improved operating state.

While this is a common story, we have found that when people know what to expect and what to do when a disruption hits, they will be much more effective and efficient – and the damage to the company and its ability to deliver on their customer promise will be far less. However, the move to build the interim environment as the company responds to the disruption and then the move back to a new normal operation will have repercussions in both the interim and ‘new normal’ operation.

“COVID-19” is Just the Latest Disruption Driver

The latest example of a disruptive event is Covid-19. But it is part of a cycle that has hit every 4 to 6 years since about 1998 with the Y2K crisis. Each time a disruptive event occurs, organizations scramble to respond, creating work around related inefficiencies and ineffectiveness that is introduced as managers try to figure out a response and ‘make things work’.

2005 Hurricane Katrina	2009 Swine Flu	2015 Paris Climate Accord	???? What's Next
2002 SARS	2008 Recession	2014 Ebola	2020 COVID-19

History in the making

But, given the frequency of events and the unknown results caused by social and geopolitical upheavals, we can anticipate even more change. And, as companies become even more dependent on technology and global markets, we can expect the impact of these events to increase. The question is not ‘if’ further immediate and future disruption will occur. It will. The question is *“do you want to build the flexibility in your organization to react or do you want to simply wait and see, and then jump to respond?”*

The real problem with the wait-and-see approach is that you will lose momentum as a company in your marketplace and spend more to respond than you would have had to if you take the time to prepare now and build the flexibility you will need. You will also be creating a much more inefficient and ineffective temporary operation at a much higher cost. Rules will be broken and at least some level of chaos will creep in.

The wait-and-see approach is also analogous to gambling. The company may be lucky or not. Nothing may happen and you will win for a while. But then in the long run, all those that do not prepare will lose – as eventually another disruption will hit.

As part of the response in any unplanned and untested reaction, you will forget to do things as unprepared people introduce additional operational problems, cost, and quality issues. And, at some point, if you cannot adjust, both the business operation and IT will simply experience catastrophic failure. Just look at how many large and small businesses have gone out of business over COVID-19 including: The Hertz Corporation, Latam Airlines Group, Frontier Communication Group, JC Penny’s, Neiman Marcus, and many, many more. No company is immune from a disruption-related failure – unless they are prepared and have the built-in flexibility to respond quickly.

You Will Really Need to Ask if This is Speculation or Probability-based on the Last 25 Years of History

Even as a casual observation and not a detailed study, it is clear that a combination of natural disasters, man-made situations, and pandemics will cause a major disruption again and again. Some may be less destructive than COVID-19, but some will also be worse. Prudence suggests that being prepared is the smart move.

The issue is how to avoid the widespread extinction of companies across industries? How can you survive and come out of the disruption in good shape? How can you gain market share from the void created by the companies that cannot respond quickly?

We believe that preparation and an ability to react quickly will make the difference. This planning is also different than IT Disaster Recovery Planning or Business Continuity Planning. Both planning types are important, and we have helped multiple companies create them. But they are usually separate and seldom include the actual conversion and melding that is needed. For this reason, we have found that both of the plans fit within an overriding Business Disruption Plan.

Difference

IT Disaster Recovery Planning – an IT plan to move automation to either a “cold site” location - an offsite location with computer capability ready to mobilize and build a replica of your automation capability quickly, or a “hot site” where the applications are always ready to be used. Variations of these options exist as well as the amount of support that you want to have available if you need it. These options may include a temporary place where a limited number of people can work.

Business Continuity Planning – a plan to keep the business running during a disaster or crisis – with a goal of maintaining operational continuity. Business Continuity Planning is thus focused on continuing to operate during an interruption, but generally not a longer-term disruption. In business interruption, the planners focus on a temporary interruption of the business operation. The purpose is to help the company adapt and respond to some risk or situation. The focus is on ‘keeping the doors open.’ This may include steps defining how the business operation will handle automated transactions that have backlogged during the operation outage.

To provide adequate operating guidance, the business continuity and IT disaster recovery plans should be combined, aligned, and interrelated at the action level to limit misunderstanding, decision making, and operational support interruption. This point is critical as the business operation will not continue long without adequate IT support.

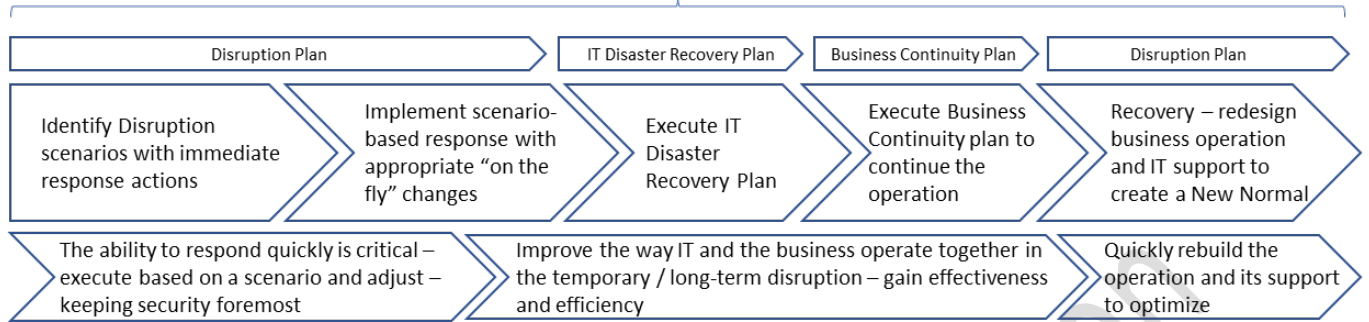
While Disaster Recovery and Business Continuity Planning provide an approach to ‘harden’ the technology infrastructure, they lack a dedicated focus on ensuring the organization’s ability to effectively respond to and ultimately thrive in the face of large-scale disruption.

Business Disruption Response and Recovery Plan

The Business Disruption Response and Recovery Plan is designed to help avoid a frantic response and unnecessary introduction of work-around activity, knee jerk decisioning, un-equipped people, and limited automation support. It begins with envisioning potential scenarios that will severely disrupt the business and plans that should be executed immediately – *just do it and move fast*. This takes care of the decisions and work that must be done to start the response and begin to put it in place – people, process, and decision management. This builds the operating environment and the foundation for staying in business. As time is critical, every activity and answers to every anticipated question needed to convert from the pre-disruption event operation will be identified in detail including responsible people and alternates.

The IT Disaster Recovery Plan is part of what will be executed as management determines the implications and severity of the disruption event. This timing is critical as it creates the automated foundation for continued operation during the business response. The business operation will be moved or reconstructed as the IT applications are being put back into operation according to the Disaster Recovery Plan – including adequate access and security.

Business Disruption Plan and Response



The ability to respond almost instantly is critical. The creation of this complete ability and then the capability to back the response out and return to an improved normal is the primary purpose of the Business Disruption Response and Recovery Plan.

Beyond Business Continuity and Disaster Recovery – Disruption Events

While external events are possibly easier to envision, internal disruption events can be just as damaging to the company. These events will generally be related to project failures, the loss of decision support, data corruption, security breaches and a long list of other potential issues.

Most companies will have some form of disruption response strategies ... but are they enough? Based on their customers, industry and how the disruption impacts an organization, how they respond differs dramatically. Each company, however, should be prepared to 'just react' to the following with little to no delays and asking what should be done. Here are several disruption responses that have emerged over the last six months.

- Weather the Storm – keep doing the same thing that we always did and wait for things return to normal. This is a wait-and-see approach relying on 'hope' as a strategy. For this to work, an organization needs 'deep pockets'; cash to sustain them through the disruption and the confidence that things will return to 'normal' after the disruption event. Unfortunately, both are highly unlikely, resulting in the slow demise of the organization.
- Wait for the Customers to Return – this strategy recognizes that the customer values and behaviors shift during and after a disruption. While these shifts may be temporary, they may possibly be permanent. Organizations quickly determine how they can serve these new values in both the short and long-term. Examples include 'touchless' service, increasing on-line servicing and new innovative customer facing services.
- Change the Service Model – in some industries the disruption is so fundamental that to survive, let alone thrive during and after a massive disruption, the underlying service and often operating models need to shift. This requires the ability not only to respond quickly but do so in a manner that is successful. Unfortunately, the stresses of disruption are not conducive to

designing 'new and effective' ways of doing business. Often resulting in 'quick fixes and work arounds' that are ineffective, costly and do not service the customer well.

- Stuck in Inaction – some leaders literally get 'stuck' when massive disruption hits. No one wants to risk making a wrong decision. Without the proper level of guidance in the Business Disruption Plan, they have no reference point. With no prior experience to fall back on which tells them '*... this is what we did last time something like this happened*' many simply freeze. Relying on past experiences (which are often completely different from a new disruption) can result in an inability to do anything definitive or constructive. These organizations are victims of their past success and will wither away as their competition takes definitive action.
- Running in Circles – leadership is not sure which actions or directions to take. As a result decisions are made, then re-thought, changed and then again changed. This results in a whiplash effect that creates confusion, results in rework, frustrates employees, and invariably impacts your customers.
- Missing Creativity – adversity will either promote a creative response or an inability to think out of the box. Many companies do not encourage individualism and creative responses to situations that require immediate action. This avoids mistakes but also costs time and deepens the impact of the disruption. This is a cultural issue and must be considered in any disruption response.

Do these situations sound familiar? Is your organization following one of these or some variation? Are these situations part of the corporate DNA or is there potential impact sufficient to consider change?

Disruption Comes in All Sizes, Forms, and Impact Levels

Localized Disruption can be serious. While some disruption is global and severe, other more localized disruption can be damaging and have a serious impact on the business. Many business and digital transformation efforts are the cause of serious Business Disruptions. Workflow can be interrupted. Decision processes can be broken. Rules can be totally misunderstood or lost. The "tested" new or changed application systems can fail. For example:

1. Local Disruption - A business transformation at a major bank was transforming its technology platform and brought in a new solution. The developers were given vendor training and turned loose. We were called in two and a half years into a four-month project. The IT developers kept iterating and each time they did, they released the new 'upgrade' into production with new procedures but provided only limited business staff training. Thus the business was in total disruption for over two years – continually hiring people to work around problems and correct errors.
2. Local Disruption – Covid -19 hit everyone hard. Customer behaviors and values shifted dramatically as the world sought a path through the unknowns of a global pandemic. Touchless service online (everything) defined a 'new normal'. Retail, entertainment, travel

were hit the hardest. Thousands of businesses vanished, while others survived and thrived as they redefined their product and delivery models. Some did it by trial and error, others with deliberate planning and execution. The question is how well is your organization to emerge and thrive in 2021?

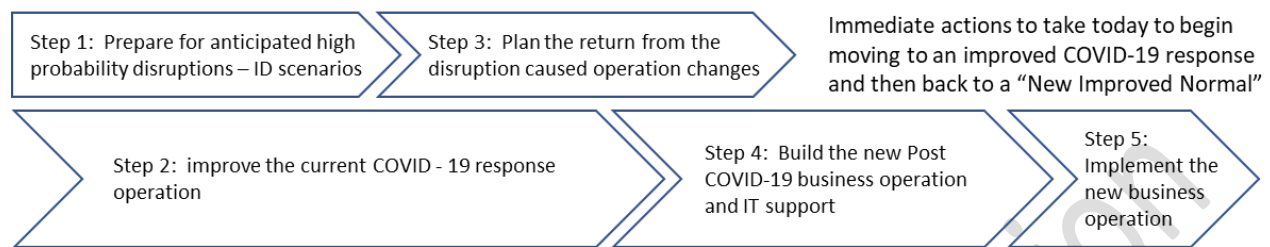
In addition to local disruption are the truly massive disruptions that affect all organizations in an industry or even across multiple industries.

1. Y2K – was a massive disruption back in the late 1990's resulting from a programming glitch caused by the folks writing programs and 'code' that defined a date as xx/xx/xx or month, day and the last two digits of the year. As 2000 approached, technologists realized that any program that relied on dates would be compromised because the lack of a full four digits in the 'year' would result in errors of calculation as the year rolled from 1999 to 2000. This disruption caused a massive scramble as organizations worked to determine to what degree they were impacted and how to fix it before January 1, 2000. It is estimated at a cost over \$100 billion in the US alone.
2. More recently, Covid-19 has not been kind to organizations across all industries as consumer behavior changed overnight and people dramatically shifted their behaviors to stay at home. In addition, organizations instituted massive layoffs and new 'work-at-home' protocols, resulting in a reduction of consumer spending and new needs for a massive work-at-home workforce. Retail, travel, entertainment, real estate trusts and even energy exploration and energy companies failed. Not only are Lord and Tailors and Brooks Brothers (retail) gone, but so are many other global brands. Not even gyms and workout facilities are immune to Covid-19; Golds Gym and others are gone.

And the list of disruptions continues. Depending on the cause and the ability to recover quickly, internal project related disruptions can be serious and the ability to deal with them should be considered as a separate disruption category in the Business Disruption Response and Recovery Plan. External disruptions can be even more devastating as we have seen with Covid-19 and other global disruptions. Millions of people unemployed. Jobs lost, companies bankrupt and lives deeply affected.

What you need to do today and in what order the actions should be done.

The models with this point of view mention COVID-19 because it is current. However, the same steps will be needed for any disruption.



Step 1: Prepare for external and internal disruptions that can be anticipated. Look at the company Business Continuity and IT Disaster Recovery Plans for a start to identify possible disruption scenarios. Each type of disruption should be listed, and the higher probability events given priority in developing a response plan that includes – people, process technology and customers. From recent and past experience, what should be included in any response plan? What was left out of the current response? How could the business continuity plan and the IT disaster recovery plans be better integrated? How could the response be better coordinated and how could the directions be improved?

The goal for the response plan is to list all the roles for the response team and provide sequenced details on what each person should do and how they will remain coordinated. The more detailed and well thought-through each scenario response is the less severe the impact of the move will be. For each scenario and for a general scenario, identify the key things that must be done immediately to gain control of the situation, assess the first responses and decisions, and then begin to implement the appropriate business operation and automation recovery plans.

Step 2: The company will have adjusted by now – an operating model is in place. What works OK and what needs to be improved to reduce the strain on the operation and the staff? Start with improving the current COVID-19 response operation. This will be done parallel to Step 1. You will likely need to adjust your current response and the continuing business operations throughout the COVID-19 Pandemic. This is necessary because the rules keep changing in each state as well as in different countries. This has and will continue to have a negative impact on a company’s ability to keep up with the changes. For now, the response part of the disruption event will still be fresh in everyone’s mind.

Learn – What did the company do? What was done right and what was done wrong? What unexpected challenges were faced and how should they have been handled? What could have been done that wasn’t, and how could the response have been improved? Make a list of these points for each business area and for IT. Write this out in detail as you redesign the disruption response options in preparation for future events.

The transition to the current operation may have been painful and required Herculean efforts from both the business managers and IT as the operation may have become distributed or split between a company office and the workers’ homes. The lesson here is that the response and interim

operation must be kept up to date with technology, customer interaction and more. How could it have been made less complicated? Identify and nullify any problems that were encountered.

Step 3: Returning from the disruption-caused operation. The business operation can be brought back to its pre-disruption operating state or this can be used as a time to make the improvements that have been needed for a long time. If possible, it is suggested that some of the bigger operational or IT support issues be corrected.

In this operational redesign process, workflow and activity were not really adjusted and people were isolated – making decisions alone. While some procedures applied, others did not, and others were never before considered. Consistency of approach, processing and outcome took a real hit in many companies.

The real problem is that while work adjusted, it became full of work-around activities, interpretations of rules, unique ways of handling situations and individualized (personalized) steps as people made adjustments to their work environments. The work became inefficient and at least partly ineffective – and cost increased while consistency decreased.

All of this now needs to be corrected and new streamlined operations need to be designed and built. But what will the company's operation and IT adjust to? The old ways were probably not great – acceptable but not optimal. So, in adjusting, why not correct the major issues and maybe transform (fundamentally rethink) parts of the operation and IT support? This will require a quick redesign of the business operations in question.

Create an IT evolution plan that is tied to the new post COVID-19 operating plan and marketplace vision. How does management see the future and what is needed to compete and what is needed to be a dominant player? Design the key components of the future operation – including IT support and determine what will be needed to build and support it. This will take the Disruption Plan's key components into account and include building the flexibility needed into the new operating design. It will also include "hardening" IT security and building flexibility into IT – driving a Digital Transformation to support a newly envisioned business operating reality.

Step 4: Get ready – build the "new post COVID-19 operation". It is assumed that more troublesome parts of the pre-disruption business and IT operation problems will be corrected – but the move back to "a new normal" operation can be stripped down to deliver largely the same operation as existed in the pre-disruption business.

Assuming that at least some operational reconstruction will be made, such as the plan made in Step 2 and the operating design with requirements from Step 3. Determine the approach that will be used in preparing for the re-construction and the change in delivery evolution. Make certain all applications are used properly and that their interaction is carefully defined and modeled. Make certain that data management, decision management, rules governance and performance management are all included and corrected to become the foundation to building the recovery operating design. Make the improvements to avoid prior confusion, error, delays, or complications.

Make all the changes to the business operation (if possible, in a parallel "model" operation and test it. In addition to functional testing, test for efficiency (performance – system, workflow, and use). Identify the new rule, decision, procedure, and application changes and develop needed training.

Do not cut corners in training. This is a common problem that causes outcome inconsistency, error, customer problems and requires rework.

If new technology is used in addition to the technical tool training, it will be necessary to either rebuild a non-critical legacy application to gain the experience in the tool use or bring in an expert consultant to mentor those who will use the tool. In addition, designers and managers will need to be trained in the new approaches and techniques to improve the chances for a successful outcome – these are not IT projects, a traditional IT approach will not work well in creating the new business design.

Plan the move to this new operation at a time of least potential disruption and be prepared to back any part or all of the change if anything in the cut-over goes wrong. Once the changes are ready for implementation, consider how they will be implemented – at one time or over a period of time.

Step 5: Convert to the new business operation and IT support carefully. Before the company commits to the new implementation, check all parts carefully and be ready to back out the implementation and correct the problems. Once the new business operation has been tested and the managers and staff retrained, the new operation will be implemented. If approached properly, this implementation will be relatively problem-free. If it is not, back out the implementation and return to the current COVID-19 response operating model until the problems that were encountered can be corrected. Then try again. Performance measurement should have been built into the post COVID-19 operation solution and adjustments can be made.

Because it is part of restoring the entire business, the restoration part of the disruption recovery plan is critical. It should not be approached as a single large release – that itself can be a disruptive event. This requires thought, planning, current environment evolution design and planning and realistic manager and staff training programs.

This approach reuses plans and applications and a great many things that should be in place today. These components may need adjustment, but this reuse will save time and money while producing realistic new business and IT operating designs. The result will be a new readiness for the disruptions that will challenge us in the future.

Most importantly is that you do not have to go this alone. For more information and insight contact us or check out our course on 'Business Disruption' in our Business Transformation curriculum:

<https://mycareertransformation.com/shop/bt-04/>.

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Keith Leust is a results-driven business leader with over 30 years of hands-on experience. His career has been split between leadership roles in companies and an executive consultant to Fortune 500 leadership teams. Keith held senior leadership roles including VP Transformation, Chief Human Resources Officer, Senior Director of Business Architect, Head of Motorola University, and other executive positions at Prudential, American Express, Motorola, Oracle, and global organizations. His consulting work includes business strategy and execution, transformation, IT optimization, revenue growth and cost optimization.

Keith is a former board member of Business Architecture Association (BAA), now the Business Architecture Guild. He co-authored the first Business Architecture certification exam for the Business Architecture Association, and “The Business Transformation Field Guide” to improve transformation outcomes.

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Dan is an international speaker at over 40 conferences. He is the author of five books on Business Transformation and over 70 papers and articles. He is also a columnist for Tech Target and with PEX.

Dan is also one of the co-authors of one the first Business Architect certification exam for the Business Architect Association and has served as a key member of the Association of Business Process Management Professionals certification test teams.

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