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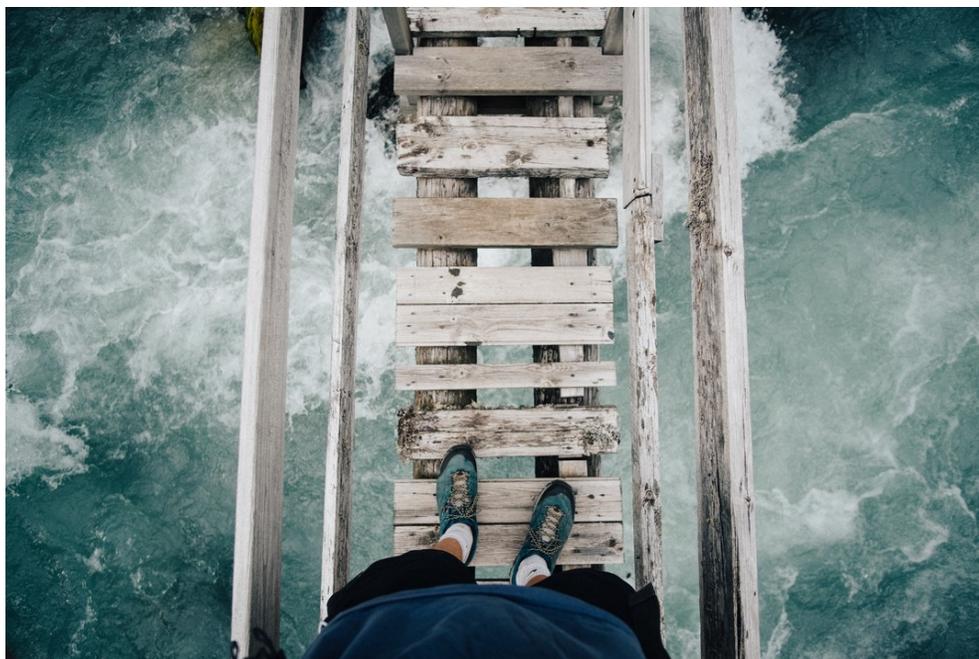


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Trying to Navigate All the Forces of Digital Disruption? A Survival Guide.

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Every industry is in being upended by rapid technological advances. The change can paralyze many leaders, who are being asked constantly about their digital strategies. I spoke with [Andrew House](#), the former global CEO of Sony Interactive Entertainment, whose deep experience in the video game business created clear patterns of how best to approach this challenge. I'm proud to call him a colleague now, as well, as he has joined our firm, [Merryck & Co.](#), as an executive mentor.

Q. Given your leadership experience in the video-game business, you faced digital disruption early on.

A. Content businesses were some of the first to be vulnerable to digital transformation because the product itself was so easily digitized. And that raises a key point that executives need to consider – on the positive side, to what degree does the business lend itself to digital transformation or, on the negative side, how vulnerable is it to being disrupted by the forces of digital technology?

The business of video games adapted reasonably quickly and even aggressively because it has traditionally reinvented itself every five to six years with the arrival of new technologies and new console hardware. So there was a much greater propensity for people to either innovate or to adapt. And that's a critical point: to what degree does the company or leadership team have an inquiring spirit? The worst position is to put your head in the sand when you're facing change. I have seen that happen.

Q. What are your thoughts on the playbook for any company navigating digital disruption?

A. Perhaps it's best framed by the CEO asking questions, including, what data does the organization

actually collect? What is it used for, and what insights emerge? Are there legacy areas of the business that should be automated and can be handled by emerging technologies? Those answers can generate insights that would lead you to drive the business in a different direction. And then you have to ask, who is managing this? Who is tasked with thinking through these kinds of transformations? Another challenge in many of these areas is trying to match differing skill sets. I sat in many meetings where people who knew how to manage data and yield insights from it tended to have the mindset of, "I have all this data. Look at all these insights that I can generate for you." But you also need a partner who is at the same table who is proactively saying, "These are the things that I want to know about my business," whether it's about the consumer, purchase patterns, or the efficiency of the supply chain. "Create a culture that is open-minded and willing at least to look at problems and the business in new ways."

If you don't have someone who's generating those questions, you can have all the data in the world and it's not going to help you drive the business and navigate toward that new frontier. A colleague in the music industry once said to me, "What we've learned as we've gone through this very painful shift from physical CDs through the download business and now increasingly through streaming is that it's not sufficient just to hire data scientists; it's really important that they either have some sense of the music business or are able to partner at the hip with folks who do have those insights."

Q. How do you break down the silos and guard against the us-versus-them phenomenon that inevitably creeps up during times of wholesale transformation?

A. There isn't a perfect solution or single playbook. One thing you can do, in the early stages of formulating a digital strategy, is to create deliberate separation for a group that has to think deeply about transforming the business versus those who are managing the legacy businesses. But then once you do that, the challenge then becomes, how do you integrate them with the rest of the business? If they're too separate or too differentiated, it's very difficult to reintegrate them. The best advice I can offer is to create a culture that is open-minded and willing at least to look at problems and the business in new ways.

It's also necessary to weed out elements in the organization that are just too resistant to any kind of change and too wedded to the current way of doing things.

Q. What are some signals you watch for that tell you the person isn't up for the journey?

A. The first obvious sign is whether there's a level of engagement and intellectual curiosity about disruption, new technologies and new processes. That is a strong indicator of whether the leader can undertake the necessary change for the organization. Another sign is whether they are concerned about process over the end result and what the benefit will be for the consumer. It's not that process is unimportant, because process is probably the thing that is going to be most impacted and transformed. You just need people who are insight- or outcome-oriented in terms of what you're delivering for the consumer.

Q. Disruption and transformation mean uncertainty and risk. How do you frame that for employees so that they're open to it?

A. Precisely because these points of dramatic change can be divisive within the organization, you have to go right back to the basics and ask, "What is it that we're all trying to achieve that is a unifying factor? What do we exist to do?" That's what binds us all together, regardless of our individual responsibilities. Then the rest of the conversation is about how we are going to do that — what's going to change and how it has to change.

"When are we at our best? When did we have the greatest success, and what was driving that?"

A good way of framing it is to look back at your company's history and ask, "When are we at our best? When did we have the greatest success, and what was driving that? What were the things — either the culture, the organization, new technologies — that were helping us to be our best?" That is a really good sign post to start a conversation about, "How do we recover those elements in the organization currently? How do we draw on those strengths but in a completely new and possibly redefined context?"

Q. What do you say when somebody inevitably puts up their hand at a meeting to say, in effect, "But how do we know this transformation is going to work?"

A. You have to be fundamentally honest and say, "We don't know that this is going to work. But if we look around at other businesses, we know that digital is going to transform and disrupt them in some way, shape or form. So let's take charge of our own destiny rather than having that future determined for us by forces of change or other companies that are starting to encroach upon the same territory."

Q. Have you always been comfortable working in an environment where there's a fair amount of

uncertainty?

A. I decided early on that I didn't want to work in my home country right after college. That led me to move to Japan. I was eager for change and I was very comfortable with it.

Andrew House

I can track it back to a trip I did midway through college across the Sahara with some friends, when we did some scientific experiments that we pretty much self-funded. It was at that point that I realized that I really didn't want to go back and be constrained by the environment in which I had grown up.

Q. What's been the most important leadership lesson you've learned?

A. An undervalued skill for leaders is engaged, active listening, and having the ability to be silent and have the patience to wait for that insight that may emerge from the least forthcoming team member. That has often yielded really interesting benefits for me when we've tried to attack problems.

Q. How did you learn that?

A. Through trial and error, and particularly managing cross-culturally. I had worked in a second language for a long time. I certainly wasn't able to as quickly articulate my best thoughts and my best proposals because of the fact that I was operating in Japanese.

That gave me the sense that if it's taking me longer to come to the table, then that's probably true of other folks. I learned to give the discussion a little bit of extra time so that people have that additional processing power. You're trying to get to the best ideas in the room, not the best articulation of those ideas.



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