Managing Disruption: Designing a Capability infrastructure

Article by: Article Writers. A journalists reflection from the presentation entitled "Planning and Designing a "capability infrastructure" delivered by Elizabeth Ann, RMS – Director Point to Point Reform Program at the AMCouncil NSW Chapter National Symposium "Future Directions for Infrastructure" held November 2017

Disruption and innovation often go hand in hand, but there is an important difference between the two. For example, the use of smartphones to connect online with business services was an innovation. But when Uber began using smartphones to facilitate ride-sharing, the result was a disruption that literally had people fighting in the streets.

Uber's impact on point to point transport services – where customers choose their destinations rather than fixed stations or stops – was such that the NSW Government appointed a task force to implement regulatory change.

As a result, *the Point to Point Transport (Taxis and Hire Vehicles) Act 2016* was passed by the NSW Parliament in June 2016, establishing the NSW Point to Point Transport Commission.

Elizabeth Ann is executive director of the new commission, and says it is possible to develop a **capability infrastructure** for dealing with disruption that will help organisations avoid being "Ubered."

Inventiveness, innovation and technology

Ann says it's important for managers to understand disruption and innovation, and how they differ.

"There's a disruption guru from Harvard Business School, Clayton Christensen, who says disruption displaces the existing market, industry or technology, and produces something new, better, more efficient and more worthwhile," she says.

"Innovation can occur without disruption, or it can be the cause of disruption."

'Innovation' and 'technology' are also used interchangeably by many people, Ann says, and it would be wrong to minimise the impact of innovation or technology and the disruption it can cause.

"Innovation can be 'inventiveness', as Steve Wozniak told us at a transport training forum, or it can just be a different viewpoint," she says.

"To me, innovation is fundamentally changing how we view the world, how we respond and how we have openness and resilience to view problems from different perspectives."

Disruption – the unexpected result

Most managers are taught the standard strategic tools of risk planning, perhaps even scenario or futures planning.

"We probably think we plan for the known future pretty well," Ann says.

"But strategic planning is a little bit like crossing the road. You know where you want to go, you know the risks. If you look left and right, you've mitigated your risks and you get a good outcome pretty much every day.

"Disruption is when you go to cross that road thinking you'll get to the other side and you get hit by a plane. It's the unexpected result."

Innovation and disruption are both what Ann calls "makers of the future."

"But disruption literally uproots and changes how we think. It breaks down our preconceptions, opens us up to new possibilities; it is at once destructive and creative."

Building underlying capability

So how do we build an infrastructure in ourselves and our organisations that allows us to respond with agility and resilience when that airplane comes? Ann says the answer is to first identify the scope of the disruption by:

- Listening to stakeholders without judgement about how the disruption has affected them, and how they want to do business with you and others.
- Asking customers what they want, what are their pain points, how do they want to live their lives.
- Looking at the environment broadly; don't make assumptions about the causes or solutions.
- Getting diverse views – asking other people who may not have any background on the issue at hand.
- Looking at the trends and statistics for hard facts.

Ann believes political and social disruptions can be driven by human expectations of the society they live in to be responsive and empowering. Governments are still unsure how to respond to this citizen-driven disruption.

"We've seen a form of political disruption in recent elections where the dominant players in our Westminster system have been forced to negotiate slim majorities and work more closely with Independents and minor parties," Ann says, adding that the disruption of the traditional taxi industry taught the NSW Government a lesson on dealing with disruption.

Uber and point to point service disruption

Today's empowered customer is increasingly sophisticated, no longer accepting solutions imposed on them by businesses or governments. Customers want to control pathways for themselves, and point to point transport services are a prime example.

Point to point services differ from mass transport such as trains and buses, which leave from designated locations, such as a train station or bus stop, Ann explains.

Point to point services fit into the future transport road map, because they're personalised services tailored to individual preferences.

"They use digital platforms and data sharing so businesses and customers decide together what best meets their needs. The disruption caused by Uber's entrance into the market was technological and social," Ann says.

"Uber's obvious change was using technological disruption through smartphones. It was clear to us that a major disruption was being caused to the existing taxi market and the future sustainability of the market was being called into doubt. Conflict was erupting on the streets between customers, taxi drivers and Uber drivers.

"Customers were saying that the government was not thinking about how they wanted to live their lives. The government wasn't thinking about the transport solutions that suited people. They chose essentially to exercise civil disobedience to get what they wanted."

The government responds

To deal with the disruption, Transport for NSW needed to:

- Understand how users and non-users perceive Uber X – in an absolute sense and relative to taxis.
- Explore how Uber X may be impacting the P2P market.
- Understand consumer expectations in relation to the government's role in regulation and consumer protections.

On July 1 2015, the NSW Minister for Transport and Infrastructure announced an independent taskforce to examine the future sustainability of the industry. It consisted of a regulatory expert, Professor Gary Sturgess, assisted by Dr Tom Parry. They met with over 140 organisations across NSW and released a discussion paper.

The government was told that:

- The legislative framework did not support a new, more flexible model.

- Skills and expertise were not aligned with the regulatory capabilities required to educate industry or regulate the recommended model that places primary responsibilities on industry. IT systems were not flexible or adaptive enough to adequately support new capabilities.
- Processes were inflexible and largely non-value adding, driven by policy and legislative requirements, and there was a lack of adequate systems.
- Human resource capabilities were not aligned to the preferred response.

Installing capability infrastructure

NSW has now introduced sweeping changes to the regulatory framework for point to point services, including the establishment of the Point to Point Transport Commission.

"We have the humility to admit we weren't ready to respond swiftly to this disruption," Ann says.

"It's taken three years for us to respond. We can't take three years to respond to disruption and innovation again. We need to build that capability to be ahead of the game."

Building the required capability infrastructure meant the government had to devise a new regulatory model, which makes point to point service providers responsible for safety outcomes and requires them to identify, eliminate or mitigate risks to health and safety.

Minimum standards will be provided, meeting the customer expectation that the government will ensure safety. Removal of prescriptive rules means there is greater flexibility in how risks may be managed.

A new point to point model

"The model enables business to adapt to disruption, and be innovative in the use of technology in a changing environment," Ann says.

"It allows business to decide how best to serve their customers and change their model as customer preferences change, making them more resilient to future disruption. Pricing restriction removal will allow more competition."

Ann believes that the way forward is to work through the fear and concern disruption can evoke – and listen to a diversity of voices when it comes to solution seeking. It's a matter of being open to feedback internally and externally.

"We need to build organisations that have diversity, collaboration and respect for the little voice that has the great idea," she says.

"You need to show people that having multiple viewpoints makes you and them stronger and more resilient. Make it okay for people to have a go – try, learn, fail and find better ways."