Why Companies Don't Respond to Digital Disruption

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Data from our digital leadership research suggests that many corporate leaders may need a reality check on the threat level posed by evolving digital technologies.

Knowing digital disruption is happening and doing something about it are two entirely different matters. The philosopher William James noted that "thinking is for doing," meaning that the purpose of us knowing things is to enable us to act in accordance with that knowledge. You might expect, consequently, that every organization has a well-developed strategy (https://sloanreview.mit.edu/article/reframing-growth-strategy-in-a-digital-economy/) and action plan for responding to disruption. But the reality is quite different, just as homeowners in disaster-prone areas often seem caught off guard when an actual hurricane or cyclone strikes.

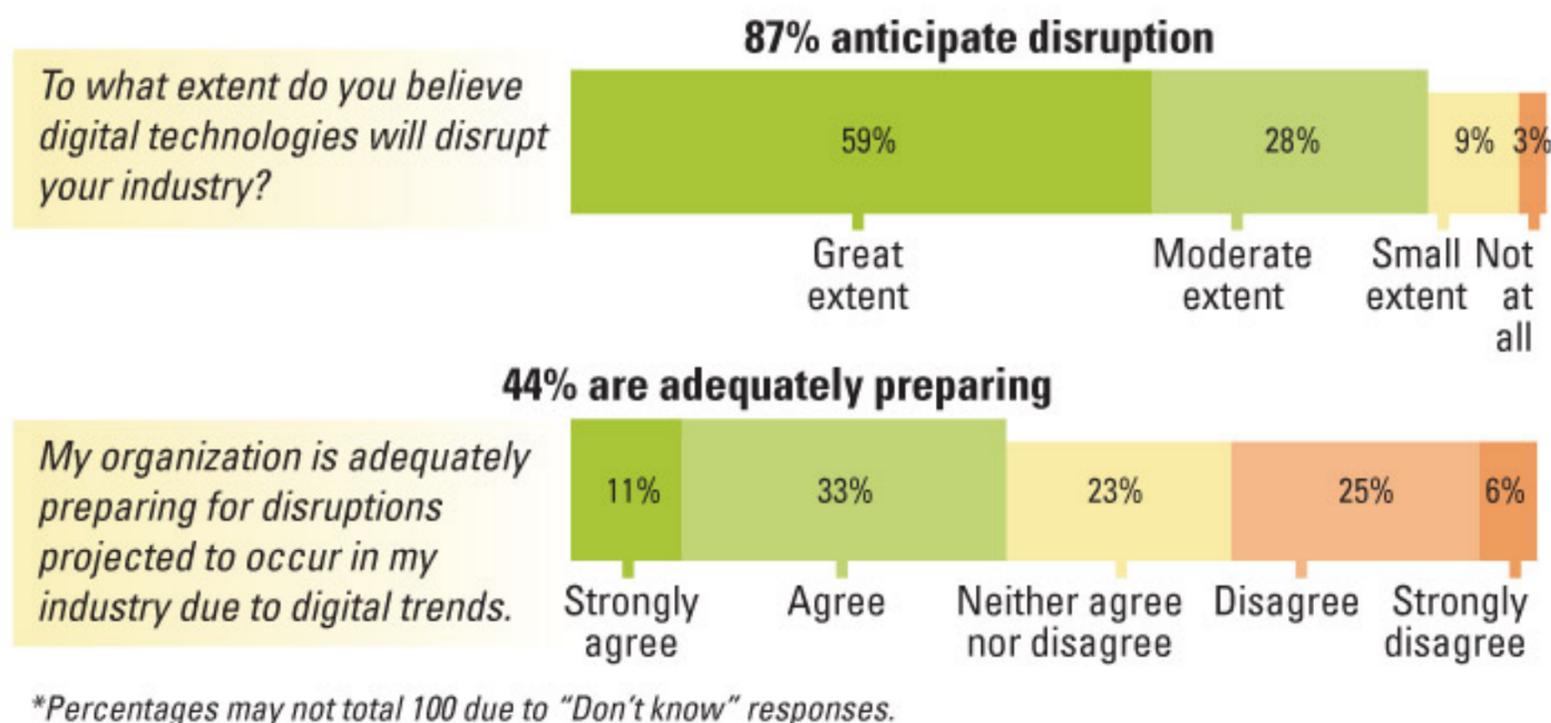In *MIT SMR* and Deloitte Digital's research on digital business
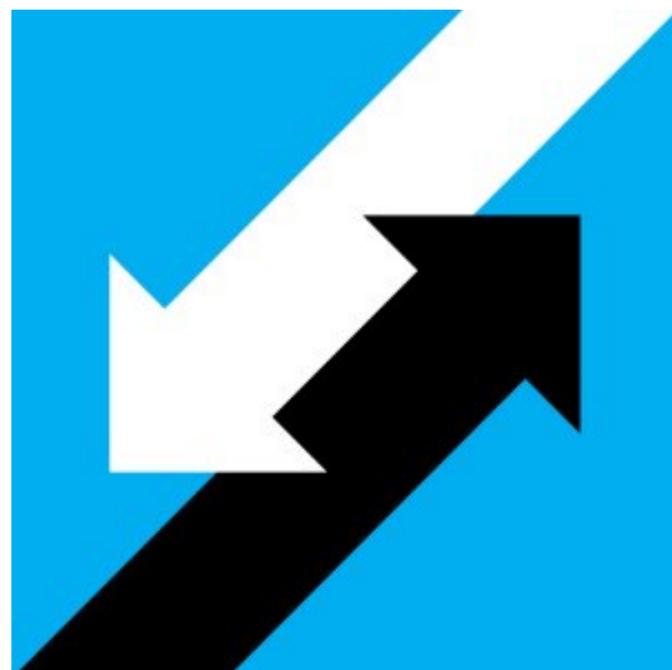
[(https://sloanreview.mit.edu/projects/aligning-for-digital-future/)](https://sloanreview.mit.edu/projects/aligning-for-digital-future/), we asked survey respondents, "To what extent do you believe that digital technologies will disrupt your industry?" The great majority (87%) of executives surveyed indicated that these technologies will disrupt their industries to a great or moderate extent. Only 3% of respondents believed that digital technologies were likely to have no impact on their industry (we didn't ask this 3% when the last time was that they read a physical newspaper, installed software from a CD, or booked a trip through a personal travel agent). We also asked survey respondents whether their companies were adequately preparing for the digital disruption their industries were likely to witness. Only 44% said their companies are doing enough.

The gap between the 87% who say digital disruption will affect their industry and the 44% who say their company is adequately preparing is, in a word, staggering. The majority knows digital disruption is happening. Yet, only a minority report that they are doing enough to respond effectively. Why aren't companies responding with greater urgency to the threat of digital disruption?

Preparing For Digital Disruption

Organizations may be waiting too long to prepare for digital disruption. Less than half of respondents agree or strongly agree that their organization is preparing for the disruption that most respondents project to occur.

87% anticipate disruption

To what extent do you believe digital technologies will disrupt your industry?	59%	28%	9%	3%
	Great extent	Moderate extent	Small extent	Not at all

44% are adequately preparing

My organization is adequately preparing for disruptions projected to occur in my industry due to digital trends.	11%	33%	23%	25%	6%
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree

Percentages may not total 100 due to "Don't know" responses.

Why Aren't Companies Acting?

It may be that executives don't understand enough about technology **(https://sloanreview.mit.edu/article/digital-disruption-is-a-people-problem/)** to make the changes or understand the urgency necessary. It may be that board members and investors care more about short-term profits than long-term viability **(https://sloanreview.mit.edu/article/predicting-the-future-how-to-engage-in-really-long-term-strategic-digital-planning/)**. It may be that many leaders are just counting out years to retirement, and they don't have the energy or the interest in engaging in the types of changes that will be necessary to adapt the organization **(https://sloanreview.mit.edu/article/planning-for-the-future-of-work/)** for a future in which they will not participate. I'm sure that all of these reasons and a myriad of other explanations are partially to blame.

While I can only speculate about some of the reasons why companies aren't acting in response to digital disruption, our data can rule out one possible explanation. We wondered whether some executives just didn't think digital business was important for their future; while digital disruption might affect an industry, for example, perhaps it was not perceived to change a specific company. Yet when we asked whether being a digital business would be important to the success of their organizations, a whopping 85% of our respondents either agreed or strongly agreed. The vast majority of leaders surveyed recognized that digital business was in fact important to their future — but their organizations still weren't doing enough to respond.

The gap between knowing that there is a need and taking action is a well-documented phenomenon that is not confined to managing a company during a time of digital disruption. Jeffrey Pfeffer and Robert I. Sutton described the "Knowing-Doing Gap **(https://hbswk.hbs.edu/archive/the-knowing-doing-**

gap-how-smart-companies-turn-knowledge-into-action)" in a Harvard Business School Press article and book in 2000. As they write in their introduction to the article, "Why do so much education and training, management consulting, and business research and so many books and articles produce so little change in what managers and organizations actually do?" They assert that the first step in resolving the gap is focusing on "why before how," arguing that "[t]oo many managers want to learn 'how' in terms of detailed practices and behaviors and techniques, rather than 'why' in terms of philosophy and general guidance for action."

Are Managers Overly Optimistic?

Our survey data presents a related reason for this lack of action — that leaders have too optimistic a view of digital disruption. We asked respondents the extent to which their companies viewed digital technologies as an opportunity or a threat to their organization. The disparity between the responses is striking. While nearly 75% of respondents who reported that their organizations respond adequately indicate that their organization viewed digital technologies as an opportunity, only 25% viewed it as a threat.

Digital Technologies: Opportunity or Threat?

Perspectives on digital impact (Respondents who answered "Strongly agree" or "Agree")

Percentage of respondents

Legend:
- My organization views digital technologies as an opportunity
- My organization views digital technologies as a threat

Should companies be more concerned with digital's potential threat?

Organization's digital maturity level: Early (1, 2, 3), Developing (4, 5, 6), Maturing (7, 8, 9, 10)

In other words, many organizations aren't responding because *they don't perceive the dangers posed to their organization by digital disruption*. This striking disparity is logically inconsistent and represents a naïve optimism on behalf of business leaders. It is reminiscent of Voltaire's character, Dr. Pangloss **(https://www.huffingtonpost.com/francis-levy/dr-pangloss_b_12385368.html)**, who believed that he lived in the best of all possible worlds. But if digital technologies represent an opportunity for your organization, they also represent a threat for your competitors — and vice versa. This reason for not responding more aggressively is inadequate at best — and potentially catastrophic at worst, as a multitude of companies that have faltered in their digital transition **(https://sloanreview.mit.edu/article/the-real-lessons-from-kodaks-decline/)** can attest.

The tendency to overlook the risks in a slow response is reflected elsewhere in our data. We asked respondents whether they expected demand for their organization's core products or services to increase or decrease because of digital trends in the next three years. Over two-thirds of respondents indicated that they expected demand to increase, while only 10% reported that they expected demand to decrease. It's

certainly possible that the digital tide will raise all boats by expanding markets and increasing buying power. Indeed, these companies may all be headquartered in the mythical town of Lake Wobegon, "where all the women are strong, all the men are good-looking, and all the children are above average."

Our findings suggest the reality is that these respondents are simply underestimating the extent to which digital disruption will *also* lift the fortunes of their competitors, who may be paying a similar (or greater) amount of attention to the same digital trends. Or they may not recognize that digital trends could also introduce all sorts of new competitors who use digital technologies in entirely different ways to disrupt their industries in unexpected ways **(https://sloanreview.mit.edu/article/could-the-big-technology-companies-of-today-be-the-financial-advisers-of-tomorrow/)**. After all, who would have guessed a decade ago that ubiquitous smartphones could disrupt the taxi and hotel industries?

That same smartphone has an alarm function on it. It's ringing. If you're leading your company into its digital future without an action plan for adapting to digital disruption — a process already underway — then it's time to wake up.

ABOUT THE AUTHOR

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