

Leadership and strategy in the news

Craig Henry

Of strategies and strategists

The current state of corporate strategy

The 2020 Chief Strategy Officer Survey findings – combined with Monitor Deloitte's direct experience of working with strategy organizations and CSOs around the world – provide important new insights into how the strategy function can evolve to meet new business challenges. ...In particular, five key themes have emerged from the survey findings:

Unlocking disruptive growth is a strategic capability gap – CSOs recognize that the ability to generate disruptive growth in a fast-changing market environment is their organization's most critical strategic capability gap. The 2020 CSO Survey revealed that while 70 percent of CSO respondents rate disruptive growth as critical for their companies' success, only 13 percent of CSOs believe their company is capable of delivering on this strategic priority.

Winning (today, and tomorrow) requires fluency in technology as a strategic enabler – There is still insufficient understanding among CSOs of the role technology plays in enabling new strategic possibilities; for example, step-changing productivity across the enterprise, creating new sources of competitive advantage, enabling new business models, and unlocking new growth opportunities. The 2020 CSO Survey shows that only a small percentage of CSOs believe that their organizations are capable of fully leveraging the

potential of digital transformation/e-commerce (26 percent), analytics transformation (24 percent), and automation/robotics/AI (17 percent).

Strategic planning must become more dynamic – The traditional strategic planning process does not match the speed with which the market is moving and likely needs to be reinvented. The process is too infrequent, and it takes too long to complete. Most Strategy executives (45 percent) report that their companies refresh their strategy on an annual basis, while others only go through that exercise every two years (23 percent) or three years (22 percent). In addition, the annual strategic planning process typically takes 3–4 months to complete (according to 40 percent of respondents). Scenario planning is a great technique to create optionality into an organization's strategy, arming it with a playbook to quickly react to changes in market conditions or in competitive dynamics – however, only about half of the time (52 percent) do companies use scenario planning to help “future proof” their strategy.

Global economic prospects are a major concern – Even prior to the COVID-19 pandemic the looming threat of a global economic downturn was a real concern for Strategy executives. At the time the survey was conducted (November to December 2019), forty-three percent of CSOs were pessimistic (or very pessimistic) about the direction of the global economy, while only 10 percent were optimistic.

Craig Henry, *Strategy & Leadership's* intrepid media explorer, collected these examples of novel strategic management concepts and leadership practices and impending environmental discontinuity from various news media. A marketing and strategy consultant based in Carlisle, Pennsylvania, he welcomes your contributions and suggestions (craig_henry@centurylink.net).

Bernardo Silva, Tom Schoenwaelder, Wayne Nelson, and Sarit Markovich, “2020 Chief Strategy Officer Survey,” *Deloitte Insights* www2.deloitte.com/us/en/insights/topics/leadership/chief-strategy-officer-survey.html

Best Buy’s turnaround secrets

Becca Coggins: As you know, [Best Buy CEO Hubert Joly], this conference explores the themes of transformation and resilience. . . Let’s start with the summer of 2012: you are the CEO of Carlson, the global hospitality and travel company, and you get a call about a certain iconic retailer that is coming off a \$1 billion-plus loss. What drew you to the opportunity to lead Best Buy?

Hubert Joly: The problem with turnarounds is that we have this image of cut, cut, cut. Analysts were telling me, “You will have to close a lot of stores.” I have the opposite view. In a turnaround, and in business life more generally, you start with people. I learned many years ago that there are three imperatives in a company: the people imperative – you need the right people properly engaged and equipped; the business imperative – you need happy customers; and the financial imperative, which is the performance. You never start with finance, you start with people, so that is what I did. . . .

I’m a big believer that a strategy needs a name. If you don’t have a name, you don’t have a plan because people cannot relate to it. Renew Blue was signaling two things. Blue, of course, is the color of the shirts at Best Buy, so there was a lot of strength in the history, the values. This was not about becoming somebody else; this was us. But we knew we needed to change. Years later, the team told me that I had conveyed that if we did not change, we would die. That tends to focus the mind. So, it was a clear invitation for us to build on our past but also reinvent the company. . . .

In a turnaround, you have to create energy. . . . A company is a human organization made up of individuals working together in pursuit of a goal. If this is your central idea, it has significant implications for how you lead. You are not trying to be the smartest person in the room – you are trying to create an environment in which you can unleash this energy.

“Transformation and resilience: An interview with Best Buy’s executive chairman Hubert Joly,” *Inside the Strategy Room* June 25, 2020,

www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/transformation-and-resilience-an-interview-with-best-buys-executive-chairman-hubert-joly

Thinking strategically in uncertain times

ALISON BEARD: So, scenario planning has been around for quite some time. What’s different about how organizations should be using it now?

PETER SCOBLIC: Sometimes seen as a one-off exercise, at moments of perhaps extreme crisis or in moments where leadership is trying to determine a particular strategy going forward. . . . The way that I think scenario planning ought to be used and strategic foresight ought to be used more generally is in an iterative fashion. A constant cycle between imagining the future and acting in the present. So that you reduce the potential for surprise and you increase your ability to sense, shape and adapt to the future as it emerges. . . .

One of the key ideas in business scholarship is the notion of ambidexterity. That organizations need to be able to act in the present and think in the future. They need to be able to both sort of exploit their existing competencies and explore new ones. So, you need to be able to learn how to make widgets better and more efficiently, at the same time you

have to be able to think about well, what’s the next widget going to be that’s really going to drive my segment, that’s really going to matter to my organization?

What strategic foresight lets you do is link those two things. The problem is that the short term and the long terms sort of require different ways of thinking. They require different organizational structures. They can require different allocations of resources. The nice thing about strategic foresight is that it’s not simply about thinking about the far future and creating some kind of science fiction world that you can think of, hey how well would we do in that world? It’s about linking the present and the future more tightly. So that the thinking that you do, do about the long term actually improves your performance in the short term. The two things are not in contradiction. They’re actually complementary.

“Future-proofing Your Strategy with Scenario Planning,” *HBR Ideacast* 28 July 2020

<https://hbr.org/podcast/2020/07/future-proofing-your-strategy-with-scenario-planning>

Challenging the bigger is better dogma

By sheer volume, the flour industry is dominated by firms like Ardent Mills, North America’s largest miller, with annual sales of \$3.5 billion. . . .

Yet it is not these huge companies but the smaller sellers of flour that are flourishing. Consider King Arthur, founded in 1790 in Boston and now based in Vermont. It experienced a tripling of sales over the spring, buoyed by legions of new bakers in quarantine. . . . Among consumers, King Arthur is probably best known for connecting with people who are learning to bake. Its website introduces them to new challenges. . . . and the company has a hotline for bakers in distress.

But King Arthur is most distinguished by its corporate structure. It is a private company, owned entirely by its employees (it has about 350) and run by two chief executives. It is also a benefit corporation, which means that having a positive social impact is part of its legal corporate mission. Ralph Carlton, one of the company's chief executives, says that its different structure leads it to act differently from other companies. . . . "We don't believe in growth for growth's sake. We are not under external requirements" from stock owners or market analysts. . . .

Offering a distinctive, high-quality product and engaging deeply with customers aren't exactly new ideas. But they aren't what has been called for in commodity-based businesses, which are trapped by global market prices and aim to control the market by brute efficiency. Yet King Arthur and the regional grain companies manage to sell their product at higher prices than do General Mills and Ardent Mills, and also manage to escape, to some degree, the relentless pressures of commodity pricing.

Tim Wu, "That Flour You Bought Could Be the Future of the U.S. Economy," *New York Times* 24 July 2020

Technology and disruption

What models can and cannot do

One of the many impacts of the COVID-19 crisis has been to highlight the role of quantitative models in our lives. Ideas associated with modeling, such as flattening the curve of disease transmission, are now regularly discussed in the media and among families and friends. . . .

Making decisions in the face of uncertainty is challenging, particularly during a pandemic. Quantitative models can help us understand systems and behaviors in a number of

useful ways that help navigate this ambiguous environment.

Clarifying which drivers matter.

Models structure data in support of reasoned decision making by restricting variables to those that matter for a particular question. . . .

Determining how much an input can matter.

Models are well suited to exposing sensitivities: they show how even small changes in key assumptions can produce large variations in outcomes, helping decision makers establish priorities. . . . By establishing sensitivities, models pinpoint areas for investment of effort or money to reduce uncertainty.

Facilitating discussions about the future.

Models expose how different assumptions lead to different outcomes. Through discussion of modeling results, decision makers can form a collective judgment on scenarios to plan for, based on the multiple variables considered, and thus reach practical decisions. . . . Not only do models trigger discussion, but they may force a more nuanced and evidence-based approach to decision making. In many cases, that is more important than the specific output itself.

Sarun Charumilind et. al. "Demystifying modeling: How quantitative models can – and can't – explain the world," McKinsey *Insights* 25 June 2020 www.mckinsey.com/business-functions/risk/our-insights/demystifying-modeling-how-quantitative-models-can-and-cant-explain-the-world

Dealing with the uncertainty at the heart of disruption

How is it that otherwise savvy companies tend to overlook or ignore potential sources of uncertainty? They might not be looking in the right places, or they may be locked into a specific strategic perspective too early. Our research has identified

three key sources of uncertainty surrounding the question of whether a disruptive value proposition will reach fruition in a given market.

1. **The enabling technology.** Questions can persist about whether the technology that is enabling the disruptive value proposition can achieve the performance-cost threshold required for adoption by mainstream users (that is, for achieving product-market fit). . . .

2. **The surrounding ecosystem.** Uncertainty may also stem from not knowing whether actors in the ecosystem will contribute to the disruptive value proposition through supporting investments, complementary innovations, or standards and regulation. . . .

3. **The business model design.** Finally, there can be unsettled issues around the viability of the business model. Will the revenue and profit streams reach sustainable levels for the companies pursuing the disruptive value proposition? . . .

Rahul Kapoor and Thomas Klueter, "Innovation's Uncertainty Factor," *Sloan Management Review* 28 July 2020

<https://sloanreview.mit.edu/article/innovations-uncertainty-factor/>

Culture and innovation

Reimagining the urban office

The Covid-19 pandemic has abruptly challenged a decade of corporate real estate and workplace design decisions by calling into question the purpose of large centralized office locations. With many organizations maintaining work-from-home policies for the foreseeable future, now is an optimal time to plan for a post-pandemic workplace strategy by revisiting the conventional wisdom behind the centralized office. A more distributed model throughout cities and geographic regions, we believe, would better support employee

performance and organizational resiliency while contributing to the improvement of the urban landscape and local communities. . . .

Both people and organizations use work settings as a means of expressing their values and aspirations. The design of physical places helps us express our professional identities. While ubiquitous virtual work is working – for now – many of us are still functioning from cultures, norms, relationships, and practices that were in place prior to the pandemic. If we wish to change or adapt any of those factors in the future, it will be difficult without some degree of physical presence. As a corporate CEO told us in a recent workshop, “You can’t change a culture over Zoom.”

Peter Bacevice, John Mack, Pantea Tehrani and Mat Triebner, “Reimagining the Urban Office,” *Harvard Business Review* 14 August 2020 <https://hbr.org/2020/08/reimagining-the-urban-office>

Deploying “stars” to make a difference

While researching their book *Time, Talent, Energy*, Michael Mankins and Eric Garton quantified the difference between an average performer and a top contributor in a number of different types of work. The best corporate attorneys, they found, perform 12 times better than average; the best software developers, nine times; the best cardiac surgeons, six times. They also found that top companies make the most of their best people, with top talent filling 95% of their business-critical roles, while other companies fail to focus their best people on their most important work, spreading their stars evenly across all roles.

Naturally, great performers are who you want when launching any business-critical assignment. Yet, how many frustrated managers have identified a rock star to lead a critical

strategic initiative only to struggle to break them free from the less essential role they already occupy?

Some companies have broken out of this pattern by focusing on four things:

Know your most important roles. Leaders must have a clear grasp of mission-critical positions across operations (“run the business”) and innovation (“change the business”) if they hope to ensure that the best people are filling the most important roles in both.

Know who your top talent is. Who are the best people in the organization?

Know what your top talent is working on. You should have as clear a view of how and where your human capital is deployed as you do of your financial capital. . . . Absent this holistic view, leadership simply can’t get the best people in the key roles.

Joost Spits and Dan Schwartz, “Stars Come Out in a Crisis; Don’t Let Them Fade,” *Bain Insights* 22 June 2020

www.bain.com/insights/stars-come-out-in-a-crisis/

Transforming the customer experience in the wake of a pandemic

Research in behavioral science suggests that the actual in-person experience is only one of three legs of the overall experience. The second is anticipation – things that happen before the experience. The many days that you spend planning a trip to a shopping center or your favorite restaurant, and the pleasure it brings you creates the anticipation. . . . The third is remembrance – the joy that you get in sharing or reliving your own experience. Going forward, we believe that businesses need to embrace and co-create the anticipation and remembrance aspects. They will need to take the load off of the actual visit, and use

additional channels to enhance the overall experience. . . .

How could a location-dependent business like a museum, zoo or theme park enhance anticipated utility? It might start by building an image as a socially responsible brand. This enhances trust, emotional connections and alleviates anxiety amongst consumers. . . . It is important to create this trust pre-visit, to increase the visit’s likelihood. . . .

This approach could then accelerate the use of online platforms for sampling, planning, booking, and reservations. It can go beyond traditional marketing content with a heavy focus on call to action, and move more toward storytelling. . . .

Dilip Soman and Grace Minwen Lou, “To survive the pandemic era, leisure experiences must step up and build deeper connections,” *Toronto Star* 8 August 2020 www.thestar.com/business/opinion/2020/08/08/to-survive-the-pandemic-era-leisure-experiences-must-step-up-and-build-deeper-connections.html

Leadership to prevent a disaster from becoming a catastrophe

We contend that a leader’s job during the COVID-19 crisis and other trying times is to stop a disaster from turning into catastrophe. Disasters such as earthquakes, storms, pandemics, and financial meltdowns will always be with us and will always harm people and create economic hardship. As sociologist Lowell Juilliard Carr wrote in 1932, “the collapse of the cultural protections” that sometimes follow is what constitutes a catastrophe. The ability to bounce back and move forward evaporates when people freeze up and freak out – and when they lose trust and faith in one another, in leaders, and in rules, laws, and informal social agreements.

Leadership during trying times requires building cultural and psychological protections for

employees. One key for creating such safeguards is holding oneself personally accountable for decisions, others' well-being, and organizational performance. Another is using compassionate words and deeds to dampen the damage inflicted by the crisis at hand and to conserve, fuel, and direct the willpower and energy of the people you depend on and who depend on you. Leaders who do these things well create passageways that help people travel from a room called fear to a room called hope...

Hayagreeva Rao and Robert Sutton, "From a room called fear to a room called hope: A leadership agenda for troubled times," *McKinsey Quarterly* 9 July 2020

www.mckinsey.com/featured-insights/leadership/from-a-room-called-fear-to-a-room-called-hope-a-leadership-agenda-for-troubled-times

A wider view

Does the future look medieval?

In Medieval times, guilds were a prominent way of organizing in urban areas to bring people together who were seeking to earn a living from a particular craft or trade. These guilds had many different roles, but a key one was to help their participants become better at their craft or trade. They were powerful learning organizations where participants learned through practice, rather than sitting in classrooms.

As independent workers become more aware of the imperative for accelerating learning, they will tend to affiliate into guilds that will help to connect them with others who might become part of their impact group and, more broadly, with other impact groups that share their passion for increasing impact in a particular set of activities. These guilds can help to knit together larger and larger networks of impact groups, generating something that I call "creation spaces," to help scale and accelerate learning. For example, think of a guild that will help graphic designers to come together and learn from each other... These guilds can also help to define and manage reputation systems that will help their participants to build a broader range of trust-based relationships...

John Hagel, "From the Gig Economy to the Guild Economy," 20 July 2020 www.johnhagel.com/from-the-gig-economy-to-the-guild-economy/

Can apprenticeships help cure persistent poverty

We believe firmly that the private sector must ... provide paid apprenticeships and training to at-risk adolescents to improve their motivation, occupational skills, personal networks, and job prospects.

The First Rung of the Employment Ladder is Getting Higher. It takes more background and training to get

into the meaningful employment tracks in the companies of today. ... Today's first-rung "blue-collar" technology-oriented jobs require connections, education, and technological training which is typically beyond the reach of many underprivileged youth. ...

We believe that companies themselves are the best at getting workers prepared to join any rung on the employment ladder and to be productive thereafter. They do it continuously and collectively, in a massive effort involving millions of people. If companies devoted a relatively small proportion of this colossal effort to closing the poverty gap, there could be monumental changes in the lives of the most vulnerable in our society. ... We believe that such an infusion of employment and hope would benefit our society in exponential ways in the decades to come and, surprising for such a massive effort, no new infrastructure and little new bureaucracy would be needed.

Paul Danos, Vijay Govindarajan, and Anup Srivastava, "Private sector. Don't just stand there, do something BIG!," *California Management Review* 31 July 2020 <https://cmr.berkeley.edu/2020/07/private-sector/>

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