

Quick takes

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These brief summaries highlight the key points and action steps in the feature articles in this issue of *Strategy & Leadership*. Larry Goodson, an S&L contributing editor, is a veteran strategy consultant based in St. Louis, Missouri. He is a Partner at LDGA Consulting, which offers Lean operations and strategy development services (ldgoodson@msn.com).

How major corporations are making sense of Agile *Stephen Denning*

Senior executives, increasingly pressured to deliver innovation that is customer focused and digitally sophisticated, are being tasked to “become agile.” In many organizations this means adopting some form of “Agile management,” a set of principles, values and practices for team-based, customer focused innovation.

But as Agile technology and culture proliferated and was adopted in a variety of organizational functions over more than a dozen years its advocates developed variants. Now that many corporations are racing to become “agile” it is easy to lose sight of the essential ideas and practices of Agile methodology.

Articulating Agile for today

In September 2016, a group of large firms came together to tackle this tangle of issues head-on. They set out to see whether they could agree on what Agile stood for in their own organizations. These firms were all passionately interested in and committed to implementing Agile management.

They aspired to create workplaces that draw on everyone’s creative

talents and kindle everyone’s potential in workplaces that are highly productive and profitable. The firms concurred on four elements of the Agile mindset that they saw as representing the essence of Agile for their organizations:

- Delighting customers.
- Descaling work.
- Enterprise-wide agility.
- Nurturing culture.

While there is agreement on these four principles, there is continuing discussion of the use of the word, “Agile.” Being clear in what Agile firms do—and don’t do—will be a key to establishing Agile as a source of high-quality leadership and management. To be fully entrepreneurial, the whole organization needs to embrace the Agile mindset and function as an interactive network, not a top-down bureaucracy with just a few teams implementing Agile tools and processes. Instead, Agile’s advocates see it as offering a coherent approach to making the whole organization agile.

The interaction of strategy and technology in an era of business re-invention *Saul Berman and Philip Dalzell-Payne*

Industries around the world are being reengineered and, in many cases, upturned, by the transformative power of breakthroughs in digital computing

and other emerging technologies. This creates an unprecedented challenge for corporate strategists and the consultants they work with

to devise competitive strategies. In such a dynamic context, digital technology is both a means to tactical advantage and the key to transformational strategic opportunities. Today's executives need to continually ask, "What technologies are coming and how will they reshape my industry?"

Changing nature of competition

Nowadays competition can come from anywhere. Amazon is disrupting tech giants. Google is reinventing cars. Added to this mix are innovative startups that – like Tesla – could grow to be dominant re-shapers of industries. In the current context, assuming that you can predict how the landscape will evolve even a year ahead is an illusion. Instead, today's strategies need to allow companies to proactively discover what is going to drive customer value.

Execution as a differentiator

Strategists need to pay detailed attention to what is technically realistic and do so during the strategy development process, not afterwards.

Bringing the execution process closer to, or even into, the strategy process is something all companies should embrace.

A new model for strategy development

To compete in this dynamic era requires a variety of new approaches:

1. Include experienced technologists on strategy teams.
2. Innovation at the core.
3. Agile strategy.
4. Decision making 2.0.

Moving forward with confidence

Navigating a company through the perilous waters of digital disruption requires a broader set of skills than ever before.

- Rethink who "owns" strategy and who participates in its development.
- Follow the value.
- Reconceive the possibilities of the future.

Game changing value from Artificial Intelligence: eight strategies *Eduardo Plastino and Mark Purdy*

There is much uncertainty in the business world about what artificial intelligence (AI) means for innovation, jobs, productivity and growth. AI's unique characteristics as a machine–labor hybrid –with the ability to augment human work at scale and speed, self-learn and continuously improve over time—will require organizations to adopt new approaches to integrating AI technologies effectively into the business model and minimize risk.

To help organizations realize the full potential of AI, Accenture undertook a study with Frontier Economics to measure AI's potential economic impact on 16 industries. All industries studied stand to benefit, though three – information and

communication, manufacturing and financial services sectors – will likely realize the biggest gains. AI can boost industry profits in three ways: through intelligent automation, by augmenting labor and capital and by accelerating innovation.

Intelligent automation: AI offers significant advantages over traditional automation to streamline their supply chains and propose alternative solutions.

Labor and capital augmentation: AI can augment labor productivity by taking on supporting tasks and thus enable workers to focus on high value work.

Innovation acceleration: AI is poised to drive innovation by accelerating the development of new products to help

companies generate new revenue streams more quickly.

Cross-industry strategies for success

To benefit fully, business leaders should adopt the following eight strategies.

1. **Articulate AI's benefits to the C-suite:** In many cases, the impetus for adapting AI is still coming from the bottom or the middle of the organization.
2. **Reinvent HR into "HAIR":** To fully achieve the potential of AI, Human Resources needs to become Human AI Resources (HAIR).
3. **Learn with machines:** To fully exploit the potential of AI, human and machine intelligence must be tightly interwoven.
4. **Appoint a chief data supply chain officer:** AI's effectiveness will directly depend on the quality and amount of data that are available. Accenture research shows that the majority

of executives are unsure about the business outcomes they derive.

5. **Create an open AI culture:** Humans and machines will need to collaborate respectfully.
6. **Go beyond automation:** Potential benefits of AI may be considerably greater than the past impact of automation.
7. **Combine AI's capabilities with the crowd in the cloud:** The next step in innovation will combine crowd-sourced data in the cloud with AI capabilities to create new and disruptive business opportunities.
8. **Measure return on algorithms:** CFOs will need a new toolbox of financial metrics to properly assess the "return on AI".

There is an urgent need for new thinking and new terminology for AI capital expenditure and valuation models, but what's clear right now is the potential for AI to be a game changer in many industries.

How hyper-collaboration accelerates ecosystem innovation

Michaël Kolk, Rick Eagar, Charles Boulton and Carlos Mira

Many of the world's greatest technological challenges and opportunities, such as urbanization and mobility, are impossible to solve without forming a vast network of private and public organizations working seamlessly together. To address these current and future challenges, companies need to embrace "hyper-collaboration," a process of identifying and innovating solutions that address customer-needs through open innovation.

Ecosystems power hyper-collaboration

Hyper-collaboration is based on the fundamental belief that it is innovation ecosystems, not individual companies, which will deliver novel solutions that open new markets. Hyper-collaboration

means seeing ecosystems as fiercely competitive arenas in which companies fight for the best partners, technologies and networks to create, build and defend added value.

There is growing evidence that breakthrough innovations are more likely when these ecosystems bring "less obvious" partners get together. So how can companies manage not just a few, but dozens, of such partnerships, many within unfamiliar industries?

Conditions for hyper-collaboration

Hyper-collaboration in such ecosystems is typically characterized by a number of attributes:

- Collaboration exists between "non-obvious" partners.

- There are often dozens, even hundreds, of collaborating partners.
- Collaboration is often enabled by digital and other rapidly evolving technologies.
- There are multiple levels and means of collaboration.
- Players and relationships evolve rapidly.
- There is availability of open source data and a culture of sharing.

To start to capture the full potential of an ecosystem, awareness and trust need to be built, alliances need to be forged and standards need to be established.

Five pillars of hyper-collaboration

From research and experience in ecosystem innovation we identified five pillars for effective, agile hyper-collaboration:

- **Pillar 1. Vision** - What your future ecosystem may look like and where value will be created.

- **Pillar 2. Strategy** – What you want to achieve through Hyper-Collaboration.
- **Pillar 3. Navigation** – Where you may find what you are looking for.
- **Pillar 4. Engagement** – How to partner with the world's best in a smart way.
- **Pillar 5. Fulfillment** – How to drive for results with minimal complexity.

Insights for the executive

The need to repeatedly deliver breakthrough innovation and the complexity of many of today's grand challenges means that a concerted effort from many players with diverse capabilities and cultures is frequently necessary to come up with required solutions. Many of the future's breakthrough opportunities can only be targeted through the hyper-collaboration process of attracting and coordinating the strongest and the best innovation partners.

Cognitive innovation: top performers share their best practices

Glenn Finch, Brian Goehring and Anthony Marshall

How will artificial intelligence (AI) and cognitive computing — adaptive data management systems that monitor, analyze, make decisions and learn — transform businesses, work and customer offerings?

A survey of 6,050 C-suite executives worldwide identified a small group of cognitive innovators and revealed what they are doing differently. Their most successful strategies combine cognitive and analytic capabilities — including machine and deep learning, natural language processing, descriptive and predictive analytics — as well as robotics and automation. Cognitive computing systems are already helping make sense of the deluge of data spawned by ordinary commerce because they are able to adapt and learn.

What cognitive innovators are doing differently

To better understand specific attitudes and actions that optimize benefits from cognitive investment, we have defined a subset of our respondent group leading the pack. These cognitive innovators represent approximately 10 percent of executives surveyed.

Cognitive innovators rank highest across five specific dimensions:

- Familiarity with cognitive technologies and concepts.
- Leadership in innovation.
- Understanding that cognitive capabilities are important to their organizations.
- Willingness of their industry to adopt cognitive computing.

- Demonstrable actions indicating that they have already begun their cognitive journeys.
- Cognitive innovators' behavior differs distinctly from all others surveyed and they invest twice as much on cognitive technologies than others.
- Cognitive innovators identify customer satisfaction, retention, acquisition and revenue growth as the primary rationale for embracing cognitive technologies, and see cognitive capabilities as key drivers of new revenue and dramatically improved customer experience.

Success stories of cognitive innovation

A robot offers personalized customer service banking with a smile. An automotive manufacturer pinpoints parts problems. A leading global oil

and gas producer detects likely equipment outages before they happen.

Strategies for becoming a cognitive innovator:

- Make innovation central to business vision, strategy and execution – and aim for a first-mover advantage.
- Create a competency to identify business problems that cognitive technologies can help solve – then define the value and make appropriate investments.
- Create customer experiences that engage, delight and amaze.
- Confirm that your data strategy targets the information needed to address identified problems.
- Adopt an approach of agile iteration and continuous improvement.

Interview:
Will China's entrepreneurial migrant managers' successes awaken an African dream to be the next factory of the world?
Brian Leavy

Modern China signalled its arrival as a major player in Africa's modern development under Chairman Mao in the early 1970s with the building of TAZARA railway linking Tanzania and Zambia.

However, China's biggest contribution to Africa's modernization is more likely to come from the rapidly expanding number of Chinese migrant entrepreneurs setting up manufacturing businesses across the continent, according to Irene Yuan Sun in her new book *The Next Factory of the World: How Chinese Investment is Reshaping Africa* (HBR Press, 2017). She believes this is the real story to watch.

Strategy & Leadership: What is the scope of China's investment in Africa, and what is the potential significance for the future global economy?

Irene Yuan Sun: China is the fastest-growing source of foreign investment in Africa. Right now, there are more than 10,000 Chinese firms already operating in Africa. One-third of these firms are manufacturers that bring with them the seeds of industrialization for local African economies.

S&L: Many Western observers see the story of China's investment in Africa as trading infrastructure for very preferential access to resources, particularly oil and minerals.

Sun: It turns out that only 10-20 percent of the Chinese firms operating in Africa today are state-owned enterprises. The other 90 percent are private entrepreneurs in other sectors like manufacturing, trading and services.

S&L: In your new book *The Next Factory of the World* you focus on China's growing influence on Africa's industrialization. Why do you see this manufacturing angle as particularly important?

Sun: In 1990, China produced only three percent of the world's manufacturing output. Today, only a generation later, China has become the second largest economy in the world on the back of being the Factory of the World. It produces a quarter of the world's manufacturing output. I believe that what worked for China over the last generation can work for African nations today.

S&L: Your book examines the new "possibilities" - economic, political and social – that new factories are "unleashing." What excites most

about these possibilities and how do you respond to the sceptics?

Sun: The big exciting possibility that comes with China passing the baton to the next Factory of the World is employment. Factories moving out of China will free up nearly 100 million labor-intensive manufacturing jobs, enough to more than double manufacturing employment in low-income countries.

S&L: If there was one overarching message that you would most like Western policy makers and corporate leaders to take away from *The Next Factory of the World*, what would it be and why?

Sun: I'd like Westerners to understand that China's activities in Africa don't represent a threat, either to Africa or to the West.