

Leadership and strategy in the news

Craig Henry

Of strategies and strategists

Taking the pain out of saving the planet

Like most of the 150-plus employees at the Silicon Valley headquarters of Impossible Foods, David Lee often partakes of the vegan breakfast and lunch served daily in one of the company's quirkily named meeting rooms ("Ketchup," "Narwhal," "Zeep"). But Lee isn't vegan. He is – like the company's target customer – a self-described "hard-core meat eater." These days, though, the "meat" he eats is increasingly coming from plants, not animals

Impossible Foods . . . had a whirlwind year: as one of the two biggest brands of alternative proteins (its main rival, Beyond Meat, went public in May) . . . Its launch of the Impossible 2.0 burger – which looks and cooks (and, to many people, tastes) almost exactly like ground beef – led to a stratospheric rise in consumer demand Just weeks ago, the Impossible Whopper became available at all Burger King restaurants nationwide; it will soon be sold in grocery stores.

During a recent conversation with McKinsey partner Joshua Katz, Lee shared his thoughts on what differentiates Impossible Foods from its competitors, how it makes decisions about marketing and pricing, and the challenges that come with being the CFO of a company experiencing tremendous growth.

McKinsey: It feels like we've entered a new period of unprecedented

demand and interest in plant-based proteins. What are the biggest factors driving this heightened demand?

David Lee: It's not so much the demand that's new. The meat eater has desperately wanted something better than meat but has been starved for it for the past several years. What's new is that there are companies like ours that now offer something "craveable" and delicious for meat eaters like me . . . We believe that we can create that same craveability that feeds the meat-eater addiction – but without using animals.

"An incredible year for Impossible Foods," McKinsey *Insights* September 2019, <https://www.mckinsey.com/industries/agriculture/our-insights/an-incredible-year-for-impossible-foods>

Toyota's in-house disrupter

Zack Hiscks is the founder, CEO, and president of Toyota Connected, a 200-person subsidiary of the Japanese automotive giant focused on transforming the mobility experience through innovative uses of data and technology. His company's mission: "Free us from the tyranny of technology, making a connected life a more human experience." But CEO of Toyota Connected isn't the only executive hat Zack wears. He's also the chief digital officer (CDO) and executive vice president (EVP) for Toyota's entire North American business – Toyota Motor North America (TMNA), employing over 36,000 people – where he is

Craig Henry, *Strategy & Leadership's* intrepid media explorer, collected these examples of novel strategic management concepts and 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).

responsible for corporate IT. Though both are part of the same conglomerate, the startup atmosphere at Toyota Connected is worlds apart from TMNA's more formal, corporate culture . . .

In his own words, he is not a "car guy" or a "technologist." And yet he can be credited with reimagining Toyota as a digital-first business poised to transform the future of mobility. His aim is to prompt Toyota to disrupt itself, but to do so in a way that is not disruptive to how the company currently works . . .

Toyota is famous for its *kaizen* culture of continuous improvement. What Zack is now arguably helping to promote in parallel is *kaikaku*, a lesser-known word that refers to radical change . . . [But] Toyota was not going to get where it needed to go with incremental innovation. Zack made an organization that was world-renowned for innovation realize that what got them here was not going to get them where they needed to go. It took a lot of courage to make them realize that."

Benjamin Finzi, Vincent Firth, Kathy Lu, "The paradox of Zack Hicks," Deloitte *Insights* 30 July 2019, <https://www2.deloitte.com/us/en/insights/topics/leadership/ambidextrous-approach-to-leadership.html>

Is the essence of strategy saying "no"?

All strategic thinking flows from the inescapable reality of limited resources. In a fantasy world of unlimited resources, we would not need a strategy. We could simply hurl resources endlessly at our problems and never be defeated. We would not need to take risks or make trade-offs and competition would be irrelevant. There is no such condition in any organization or indeed any country . . . Strategy is about harnessing insight to make choices on the effective deployment of scarce resources with

the aim of creating competitive advantage.

Finite resources force organizations into a zero-sum game. Every additional thing you do subtracts energy from everything else. A choice is not a choice until you have decided what you will give up. Otherwise you are simply piling it on – a recipe for failure. Just look at how General Electric became over-extended and saw its performance drop precipitously . . .

A major source of confusion is the distinction between strategy and planning. Their deliverables are totally different. Mixing them in one process makes no sense and subverts strategic thinking.

Strategy is about doing the right things. It is about insights, ideas and an external perspective. Planning is about doing things right. It is about numbers and logistics and is internally focused. Strategy comes first and planning follows. Think about running a railroad. Strategy determines where to lay the railroad tracks. Planning makes the trains run on time.

Willie Pietersen, "Why Strategy Is in Trouble," Columbia GSB *Ideas at Work* 15 August 2019, <https://www8.gsb.columbia.edu/articles/ideas-work/why-strategy-trouble-0>

When changing course is the winning strategy

Twenty years ago Microsoft was considered an evil empire, scheming for domination and embroiled in a bruising antitrust battle with America's Justice Department. Five years ago, having dozed through the rise of social media and smartphones, it was derided as a doddering has-been. Now, after several stellar quarters – this month it reported revenue of \$33.7bn, up by 12% year on year – Microsoft is once again the world's most valuable listed company, worth over \$1trn. How did Satya Nadella, the boss

since 2014, pull off this comeback? And what can the other tech giants learn from Microsoft's experience?

First, be prepared to look beyond the golden goose. Microsoft missed social networks and smartphones because of its obsession with Windows, the operating system that was its main moneyspinner. One of Mr. Nadella's most important acts after taking the helm was to deprioritize Windows. More important, he also bet big on the "cloud" – just as firms started getting comfortable with renting computing power. In the past quarter revenues at Azure, Microsoft's cloud division, grew by 68% year on year, and it now has nearly half the market share of Amazon Web Services, the industry leader.

Second, rapaciousness may not pay. Mr. Nadella has changed Microsoft's culture as well as its technological focus. The cult of Windows ordained that customers and partners be squeezed and rivals dispatched, often by questionable means, which led to the antitrust showdown. Mr. Nadella's predecessor called Linux and other open-source software a "cancer". But today that rival operating system is more widely used on Azure than Windows. And many companies see Microsoft as a much less threatening technology partner than Amazon, which is always looking for new industries to enter and disrupt.

Third, work with regulators rather than try to outwit or overwhelm them. From the start Microsoft designed Azure in such a way that it could accommodate local data-protection laws. Its president and chief legal officer, Brad Smith, has been the source of many policy proposals, such as a "Digital Geneva Convention" to protect people from cyber-attacks by nation-states.

"What Microsoft's revival can teach other tech companies," *Economist* 25 July 2019

Technology and disruption

The future of AI is a political question now

What happens when injustices are propagated not by individuals or organizations but by a collection of machines? Lately, there's been increased attention on the downsides of artificial intelligence and the harms it may produce in our society, from inequitable access to opportunities to the escalation of polarization in our communities. Not surprisingly, there's been a corresponding rise in discussion around how to regulate AI. Do we need new laws and rules from governmental authorities to police companies and their conduct when designing and deploying AI into the world?

As businesses pour resources into designing the next generation of tools and products powered by AI, people are not inclined to assume that these companies will automatically step up to the ethical and legal responsibilities if these systems go awry.

... Trust around AI requires fairness, transparency and accountability. But even AI researchers can't agree on a single definition of fairness: There's always a question of who is in the affected groups and what metrics should be used to evaluate, for instance, the impact of bias within the algorithms ...

There can be bias in the data inputs, which can be poorly selected, outdated, or skewed in ways that embody our own historical societal prejudices. Most deployed AI systems do not yet embed methods to put data sets to a fairness test or otherwise compensate for problems in the raw material.

There also can be bias in the algorithms themselves and in what features they deem important (or not). For example, companies may vary their product prices based on information about shopping behaviors. If this information ends up

being directly correlated to gender or race, then AI is making decisions that could result in a PR nightmare, not to mention legal trouble.

Ayanna Howard, "The Regulation of AI – Should Organizations Be Worried?" *Sloan Management Review*, 29 July 2019, <https://sloanreview.mit.edu/article/the-regulation-of-ai-should-organizations-be-worried/>

Changing the rules in Silicon Valley

When a federal prosecutor announced on Tuesday morning that Anthony Levandowski, who was once hailed as the savant of self-driving cars, was being charged with thirty-three criminal acts of trade-secret thievery, he framed it as a victory for law and order. "All of us have the right to change jobs," U.S. Attorney David Anderson told reporters in San Jose, California. But Levandowski, the prosecutor said, had engaged in more than just job-hopping when he left his employer, Google, to make his way to a competitor, Uber, in 2016. Rather, Levandowski had stolen Google's intellectual property. "None of us has the right to fill our pockets on the way out the door," Anderson said. "Theft is not innovation."

Much of the history of innovation is, in fact, also a history of theft: Microsoft stole the basic idea for the graphical user interface (think Windows' on-screen icons) from Apple; Apple had stolen it from Xerox; the researchers at Xerox, most likely, stole it from someone else. Innovation, in many ways, is not about creation but about iteration, about building on ideas that have come before ... The reason the technology industry has flourished in Silicon Valley, many economists argue, is that California makes it so easy to betray, cheat, and steal. The state's founding commercial laws generally prohibit companies from constraining their employees with "non-compete clauses." As a result,

for most of the state's history, any worker could jump from company to company, carrying secrets in their heads, as often as they liked, cross-pollinating as they flitted across the digital landscape.

The difference today is that now there are just a handful of large tech companies – and some of those giants, after benefitting from thefts, are worried that they might be on the wrong side of the purloiner dynamic going forward. And so many of them are now issuing to workers a basic threat: if you leave and join a competitor, we might come after you for stealing our secrets. And the titans, apparently, have found a willing enforcer in the federal government ...

The indictment against Levandowski ... declares that "in or about 2007, 2009, and 2012, Levandowski signed employment agreements with Google. Each employment agreement contained, among other provisions, a Confidential Information paragraph, which obligated Levandowski to hold Google's Confidential Information, including trade secrets, in confidence." If the government proves successful in its prosecution, it will likely be because of this work-around to California's prohibition on non-compete clauses.

Charles Duhigg, "How the Anthony Levandowski Indictment Helps Big Tech Stifle Innovation in Silicon Valley," *The New Yorker* 28 August 2019

Innovation and culture

Confronting transformation: From efficiency to learning

Over the past century, the scalable efficiency model has driven the growth and success of large institutions around the world ... In this model, the primary focus is how to perform complex tasks very efficiently and reliably at scale. The way to achieve this has been to tightly specify and highly standardize all

tasks. In a more stable world, this produced significant efficiency.

But here's the challenge. Our world is no longer stable. It's evolving at an accelerating rate with growing uncertainty. Customers are also being more powerful and less and less willing to settle for standardized, mass market products and services. The combination of these two forces creates a paradox: scalable efficiency is becoming less and less efficient.

So, what's the alternative? Scalable learning. In a rapidly changing world, the ability to learn faster at scale will increasingly determine success.

By learning, I don't mean training programs or the sharing of existing knowledge. I'm talking about learning in the form of creating new knowledge by confronting situations that have never been seen before and developing new approaches to create value It's learning through action, not just sitting and reading books or thinking great new thoughts

No matter how smart any one of us is, we'll learn a lot faster if we are working closely with a small group of others who are equally committed to achieving higher and higher impact. In short, this form of learning will require redefining work for everyone at a fundamental level and the adoption of new practices within workgroups to accelerate learning.

If we choose scalable learning, it will require us to pursue a broad program of institutional innovation, rethinking every aspect of our existing institutions.

John Hagel III, "Learning and strategy," *Edge Perspectives* 5 August 2019, https://edgeperspectives.typepad.com/edge_perspectives/2019/08/learning-and-strategy.html

Agile and the problem of scale

Much has been written about agile operating models: the vision, organization structure, tools,

methodologies, and rhythms that comprise the agile "body." However, many organizations still struggle with developing the people who will power this body and deliver better results. They lack talent that is either equipped with the right set of capabilities (mind-sets, behaviors, and skills) or empowered to make decisions rooted in customer centricity, crossfunctional collaboration, experimentation and speed. Without both capability building and empowerment, the body cannot function

The people challenge affects everyone from the board room to the shop floor: senior leaders must show up differently to set a compelling vision and inspire change, core agile practitioners must lead teams to deliver innovative products and services meeting evolving customer tastes, and all employees must believe in the shift toward agility and feel vested in new ways of working.

There are always pockets of individuals and teams primed for agility in each organization. But how does an enterprise move from targeted experimentation to driving agility at scale? How can organizations develop and sustain the capability-building infrastructure to enable their people to drive transformation and achieve their personal growth aspirations?

. . . Organizations must tackle these challenges in an environment where the war for talent is already fierce. The data are clear. In the next five years, we continue to expect demand for agile skills to outstrip supply, and nearly four out of five executives interviewed mentioned skill gaps as a hindrance to driving transformation. Capability building to ensure that the right skills and mind-sets are embedded in the right people is not a topic to defer to another day; it is an essential element of any successful agile transformation.

Deepak Mahadevan, Christopher Paquette, Naveed Rashid and Evgeny Ustinov, "Building agile capabilities:

The fuel to power your agile 'body'," *McKinsey Quarterly* August 2019, <https://www.mckinsey.com/business-functions/organization/our-insights/building-agile-capabilities-the-fuel-to-power-your-agile-body>

Why transformation takes time

Imagine yourself as the CEO of a Dow component company in 1919. You are fully aware of the technological forces that would shape much of the 20th century, electricity and internal combustion. You may have even be an early adopter of these technologies. Still, everything seems like business as usual.

What you don't see, however, is that these inventions are merely the start. Secondary technologies, such as home appliances, radio, highways and shopping malls, would reshape the economy in ways that no one could have predicted

We are at a similar point today. New inventions, such as quantum computing, neuromorphic chips, synthetic biology and advancements in materials science already exist. It is not those inventions, however, but the ecosystems they spawn that will shape the decades to come. We're all going to have to learn how to compete in a new era of innovation

As a general rule of thumb, it takes about 30 years for all of this to take place, because thousands, if not millions of people need to change their behavior, coordinate their activity and start new businesses.

Network scientists call this type of thing an instantaneous phase transition and there's really no way to predict exactly when it will happen, but if you learn to look for telltale signs, you can see one coming.

Greg Satell, "It's Ecosystems, Not Inventions That Truly Change the World," *Innovation Excellence* 29 August 2019, <https://www.innovationexcellence.com/blog/2019/08/29/its-ecosystems-not-inventions-that-truly-change-the-world/>

Building blocks for greater innovation

There are a handful of practical steps to boost collective intelligence.

Create tools that allow everyone to communicate strategically about innovation. Good ideas can come from all corners of a company, but would-be innovators may need help developing a strong strategic argument. The Defense Advanced Research Projects Agency (DARPA), the innovative government agency focused on transformational breakthroughs in national security, uses a set of simple questions called the Heilmeyer Catechism to think through and evaluate proposed research programs:

- What are you trying to do? Articulate your objectives using absolutely no jargon.
- How is it done today, and what are the limits of current practice?

- What is new in your approach and why do you think it will be successful?
- Who cares? If you are successful, what difference will it make?
- What are the risks?
- How much will it cost?
- How long will it take?
- What are the mid-term and final “exams” [that will allow you to measure] success?

Vet and refine ideas collectively and continuously. In nimble organizations, innovation ideas aren’t reviewed once or twice a year by a senior committee. Instead they undergo a constant process of review, refinement, and – if necessary – death. The goal is for only the best ideas to survive

Bust through barriers that block innovation. Most organizations have regular procedures for leaders to

determine which new projects should get funded and who will be assigned to these initiatives. But at nimble organizations, leadership is flipped upside down. The job of top leaders is to serve people who are close to the market. They do whatever they can to clear the way for promising new projects and get innovation teams the resources they need.

Kate Isaacs and Deborah Ancona, “3 Ways to Build a Culture of Collaborative Innovation,” *Harvard Business Review*, 12 August 2019, <https://hbr.org/2019/08/3-ways-to-build-a-culture-of-collaborative-innovation>

Corresponding author

Craig Henry can be contacted at: craig_henry@centurylink.net