Leadership and strategy in the news

Craig Henry

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).

Of strategies and strategists

Using multiple 'lenses' to describe complex systems

Some systems . . . have many moving parts that have multiple dependencies and interact in complicated ways. Trying to figure them out is daunting, and it can seem saner to not bother trying—except that complex systems are everywhere. We live our lives as part of many of them, and addressing any global challenges involves understanding their many dimensions.

One way to begin understanding complex systems is by describing them in detail: mapping out their parts, their multiple interactions and how they change through time. Complex systems are often complicated—that is, they have many moving parts that can be hard to identify and define. But the overriding feature of complex systems is that they cannot be managed from the top down. Complex systems display emergent properties and unpredictable adaptations that we cannot identify in advance. But far from being inaccessible, we can learn a lot about such systems by describing what we observe.

For example, Jane Jacobs's comprehensive description of the interactions along city sidewalks in *The Death and Life of Great American Cities* led to insight about how cities actually work. Her work also emphasized the multidimensionality of city systems by demonstrating via description that attempting to manage a city from the top down would stifle its adaptive capabilities and negatively impact the city itself. . . . Describing the whole from so many different angles illuminates the complex. By chronicling micro-interactions . . . we can see how changes in one aspect produce cascading change.

Shane Parrish, "How Description Leads to Understanding," *Farnam Street*, July 2021 https://fs.blog/2021/07/description/

Off-shoring risk: who is really doing the work?

A summer 2020 *Sunday Times* investigation revealed that during the COVID-19 pandemic, workers making clothes for "ultrafast" fashion brand Boohoo toiled for less than minimum wage in cramped conditions, with lax safety measures in place. Though Boohoo claimed that the factory was not a direct supplier, it lost more than 1.5 billion euros ($2 billion U.S.) in market value in the immediate aftermath of the *Times* report.

As Boohoo discovered, suppliers can pose serious risks to a company's reputation and finances and the nature of the modern supply chain — global, complex and frequently opaque — only increases the dangers. Companies that outsource manufacturing often discover that their suppliers rely in turn on layers of subcontractors, often without the buyer's knowledge or approval.

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Making matters worse, these unauthorized subcontractors are more likely to operate unsafe workplaces, engage in unfair labor practices and violate health and environmental laws.

Unauthorized subcontracting is the bane of businesses that are working to improve visibility into their supply chains. The 2013 collapse of Rana Plaza, an eight-story commercial building in Bangladesh, killed more than a thousand apparel workers and drew worldwide attention to the problem. Workshops in the building made clothing for several prominent brands, including Italian fashion company Benetton and Irish retailer Primark, but many of the companies claimed to be unaware that their orders had been farmed out. These problems aren't limited to Bangladesh and go beyond building compliance. Companies have come under fire in many other parts of the world for using subcontractors that employed children and exploited forced labor. . . .

In response to the workplace problems in their supply chains, companies have adopted codes of conduct, conducted regular audits and required that suppliers adhere to international health and safety rules. However, if they want to demonstrate their commitment to the well-being of the people who make their products and to the communities in which they live, they'll need to get a grip on the problem of unauthorized subcontracting.

Felipe Caro, Leonard Lane and Anna Sáez de Tejada Cuenca, "Four Myths About Unauthorized Subcontracting," *Sloan Management Review,* September 2021 https://sloanreview.mit.edu/article/four-myths-about-unauthorized-subcontracting

Global supply chains in a post-COVID world

It was a painful lesson. Companies that once boasted the world's leanest, most efficient global supply chains have suffered the greatest disruptions from Covid-19 and geopolitical tensions. Saddled with inflexible networks, their organizations now are struggling to meet a quadruple challenge: soaring customer expectations for faster delivery, customization, lower cost and sustainability.

To stay competitive, companies need to build more resilient, flexible supply chains. More than one-third of companies say their technology fell short in providing real-time insights needed to adapt operational strategies to a changing market, according to a recent Harris poll. . . .

Leaders overcome this hurdle by taking a more adaptive approach. They deploy rapidly evolving technologies, including cloud-based software-as-a-service applications, that continually enhance the supply chain backbone. For example, artificial intelligence, machine learning and advanced analytics improve forecasting and network optimization. These companies understand that an adaptive technology architecture is the foundation for a more resilient supply chain—and a powerful competitive advantage.

In our experience, leaders get two things right: They opt for a core-light architecture and embrace Agile ways of working. The technological and organizational moves are interdependent. An Agile, test-and-learn approach to innovation requires a technology architecture that can adapt easily to change, such as a cloud-based system that offers software as a service. Similarly, an adaptive technology approach can achieve its full potential only when companies manage supply chain processes from end-to-end. That means eliminating silos that separate functions, business units and countries.

Rapidly evolving technologies are transforming companies' ability to meet supply chain challenges. In response to ongoing disruptions in 2020, 76% of companies increased the use of digital network technologies, according to the Harris poll. . . .

But the list of technology innovations is long and often intimidating. . . . Only 8% of global firms have achieved their targeted business outcomes from investments in digital technology, according to a recent Bain survey.

Olaf Schatteman and Juliane Stephan, "Supply Chains Are Looking Up, Literally," *Bain Insights, 27* May 2021 www.bain.com/insights/supply-chains-are-looking-up-literally

The pandemic's long-tail: global logistics and empty store shelves

At times, it's been oddly hard to come by plumbing fixtures, construction materials, salad dressing and even some new books. . . . Most items are, ultimately, available, if at a higher price; during the past year, the Consumer Price Index has risen about five per cent, double the percentage it rose in the year before the pandemic.

Americans are not facing Soviet-style empty shelves, or having to scrap for the basics. In aggregate, we are hardly in a condition of scarcity. Still, supply-chain trouble suggests that something is off with the way we're operating in the world, and that we don't yet know the extent of our vulnerabilities. The issues can also be a serious impediment to a broader economic recovery.

The most obvious culprit is covid-19. In the case of rental cars, when travel decreased sharply in the spring of 2020, many companies generated cash by selling off a sizable portion of their fleets. They may have assumed that they could just buy more cars later, but when the time came cars weren't available. The main reason for

that is a worldwide shortage of semiconductors, the chips used in automotive systems—the supply has been constrained by covid-related plant closures in Asia, where many of them are made. Last week, the Wall Street Journal estimated that, because of the "chip famine," some seven million cars were not built. . . .

What's often at the heart of a supply-chain issue is a labor issue. Last week, the ports of Los Angeles and Long Beach were approaching a crisis state because more than seventy container ships were idling offshore, in what had become a maritime parking lot; there aren't enough dockworkers to unload their cargo, or enough truck drivers to move it out of the ports. (Shipping rates have spiked, too.) Labor shortages are the reason that so many things just seem to be in the wrong place—the prime symptom of a supply-chain squeeze. "Just in time" delivery works only if you can deliver.

Amy Davidson Sorkin, "The Supply Chain Mystery," The *New Yorker*, 26 September 2021

Digital transformation

The critical mass for successful transformations

As business leaders around the world steer their organizations out of the COVID-19 pandemic, many are recognizing the need for transformation. . . . Whether the goal is to capture new opportunities or ward off new threats, these leaders are embarking on a journey to fundamentally change the trajectory of how they operate. That means millions of employees are being not only asked to help drive transformation in their companies but also tasked to do so with urgency and speed. . . . The question then becomes, "How many people are really needed in a transformation?"

For years, the answer has been the more, the merrier. But, along with being imprecise, that strategy isn't really helpful when dealing with a global or decentralized workforce and when needing to make concrete plans for devoting significant employee time to a transformation. At the same time, it's also a mistake to keep the core transformation team small. Even if leaders manage to expand that core team beyond the usual "go to" direct reports, they will soon find that they need a lot more people to make a transformation work.

So what is the minimum level of involvement to make successful change happen? We define involvement as having real ownership of an initiative or milestone that contributes to the transformation. When we looked at data from 60 organizations that are at least two years into their transformations, we discovered that transformations with at least seven percent of employees owning part of the transformation are twice as likely as those with less than seven percent initiative ownership to have total returns to shareholders (TRS) in excess of their representative sector and geographic stock index.

In fact, companies with less than seven percent employee involvement had, on average, negative excess TRS. We view seven percent as a tipping point, not a destination. We found that as employee involvement increases, the average excess TRS rises as well. When it comes to transformation, more employees owning initiatives leads to better results.

Laura London, Stephanie Madner and Dominic Skerritt, "How many people are really needed in a transformation?" *McKinsey Quarterly* September 2021 www.mckinsey.com/business-functions/transformation/our-insights/how-many-people-are-really-needed-in-a-transformation

Digital transformation in the restaurant industry

Invented by a Japanese engineer in 1994 to keep track of car parts more easily, quick response codes entered the mainstream years later as smartphones with cameras took over. But it wasn't until the ongoing pandemic forced businesses to double down on sanitizing that they became a ubiquitous sight inside U.S. bars and restaurants, replacing physical menus.

Bitly, a link management service, said that it's seen a 750% increase in QR code downloads over the last 18 months. Bitly President Raleigh Harbour said that restaurants have realized how valuable the technology is, beyond facilitating touchless service.

"They're able to adjust their menu offerings on the fly to account for elements like inflation, fluctuations in food and commodities prices and other variables," Harbour said. . . .

A QR code also gives restaurants more information on their customers. Reservation services like OpenTable, SevenRooms and Resy pass along data on whoever made the booking to restaurants – but not everyone else at the table.

"If you run a restaurant that doesn't take reservations, you don't know who your guest is until they pay," said Bo Peabody, co-founder and executive chairman of Seated, a restaurant booking service that rewards diners for visiting certain eateries. "What the QR code might allow you to do is learn who that guest is right when they're sitting down."

Amelia Lucas, "QR codes have replaced restaurant menus. Industry experts say it isn't a fad," *CNBC* 24 August 2021 www.cnbc.com/2021/08/21/qr-codes-have-replaced-restaurant-menus-industry-experts-say-it-isnt-a-fad.html

Culture and innovation

More than imagination: innovation requires strategic focus

Reliable figures for the failure rate of strategy execution are hard to come by, but the consensus seems to be in the range of 60-90%. . . .

So, a great innovation strategy is built on a nuanced understanding of an organization's operating environment and is built on choices that give the organization the best possible odds of success. . . .

The details will naturally vary depending on the business and industry, but before we wrap up, we'll briefly cover some of the key principles that most organizations pursuing an innovation focused strategy should pay attention to.

Getting Implementation Right

1. Tell the What, focus on the Why, and leave room for the How

Whatever plan you create will need to be adjusted, and it should be done by the people executing the strategy. So, make sure your strategy tells the big picture mission and key choices you've made (the What), but focuses especially on the rationale behind them (the Why) while leaving room for people to figure out what the best methods are for achieving those goals (the How). . . .

2. Speed is key, systematically seek out and remove barriers to it

Executing an innovative strategy is an iterative learning process. The faster you can move, the faster you will learn, and the more you can accomplish. This leads to compounding returns, and that's why I think pace of innovation is the ultimate competitive advantage any organization may have. . . .

3. Decentralize

An extraordinary CEO can temporarily get an organization to execute well with sheer force of will, things will unravel . . . if capabilities and responsibilities aren't spread out across the organization. Thus, smart leaders will focus on controlled decentralization and capability building from the get-go.

Jesse Niemann, "Where Do Innovation Strategies Usually Go Wrong*?" Blogging Innovation*, 7 September 2021 https://bradenkelley.com/2021/09/where-do-innovation-strategies-usually-go-wrong/

Leveraging science for innovation

"Fail fast" has become the corporate innovation mantra, but new research suggests that inventions that build on science, with its systematic observation and methodical experiments, may deliver more value to companies.

US patent filings that cite journal articles bring 26 percent—or $8.7 million—more value to companies than patented inventions developed without citing scientific research, says a paper co-authored by Harvard Business School professor Joshua Lev Krieger, University of Munster professor Martin Watzinger and Monika Schnitzer, a professor at Ludwig Maximilian University Munich. Grounding innovation in science also results in more unique products. For companies with thousands of patents, the value difference quickly adds up.

Companies facing shrinking product lifecycles and rapidly changing technology are under pressure to bring new goods to market faster. Corporate spending on research and development in the United States has also been outpacing inflation, raising the stakes for profitable discoveries. The findings suggest an opportunity for the investment pendulum to swing from fast-money ventures to slower, potentially more rewarding endeavors.

"If you are willing dive into the frontier of scientific journal articles, the rewards of science-based innovation are really high," says Krieger, an assistant professor in the Entrepreneurial Management Unit. "I hope it opens some eyes to the value of hard, risky, in-the-weeds science for commercial innovation, as opposed to 'let's just go build the thing and make it work on the fly.'"

. . . All told, the most science intense patents were worth approximately $15.8 million, compared with $8.7 million for inventions not grounded in science.

Avery Forman, "Science: The Unlikely Frontier for New Business Ideas," *HBS Working Knowledge,* 13 September 2021 https://hbswk.hbs.edu/item/science-the-unlikely-frontier-for-new-business-ideas

A wider view

Post-COVID: Putting what we have learned to work

A better way to fight poverty: it's not enough to treat the symptoms.

Global stakeholders have spent roughly $4.3 trillion during the last sixty years trying to end extreme poverty. While progress has certainly been made—throw trillions of dollars at any problem and some progress will definitely be made—it's coming far too slow for those who continue to live in precarious and unsafe living conditions. Why?

One reason is that too often development policies focus exclusively on treating the symptoms of poverty, such as poor infrastructure and overt corruption. . . . A long-term solution to the problem necessitates a better understanding of what causes prosperity and then implementing those solutions.

As we've grappled with this question at the Christensen Institute, our findings show clearly that one of the best avenues to prosperity is through

the implementation of market-creating innovations. These innovations transform previously expensive, complicated products into ones that are simple, affordable and accessible. As new populations begin to consume these products, it kicks off a domino effect of prosperity that pulls jobs, profits, infrastructure and a culture of entrepreneurship into societies. Market-creating innovations have helped prosperous countries get to where they are today. A heavy dose of this type of innovation could be the engine that drives many poor countries towards prosperity in the future.

Efosa Ojomo and Lincoln Wilcox, "A new normal worth pursuing: Why COVID created the conditions to solve pervasive problems like poverty," *Christensen Institute Blog* 26 July 2021 www.christensen institute.org/blog/a-new-normal-worth-pursuing-why-covid-created-the-conditions-to-solve-pervasive-problems-like-poverty

Corresponding author

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