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

AI and the future of strategy

On May 17, 2017, Sundar Pichai, Google's CEO, made a surprise announcement at the Google I/O conference in front of seven thousand attendees, with more than one million people viewing on live streaming. Google's strategic focus, Pichai said, was shifting from mobile to "AI first."

Pichai wasn't talking about introducing a new AI-inspired product or launching a few pilots experimenting with advanced analytics. Rather, his announcement was the real deal, capping two decades of investment in developing software algorithms and AI technologies. It showed that AI had moved to the center of the company, to the core of its operating model. Increasingly, AI would be the common foundation across virtually every operating process. Pichai illustrated the approach with a variety of examples, from novel customer-facing apps (such as the innovative AI-enabled Google Assistant) to the new AI-enabled infrastructure powering Google's data centers and cloud services.

The announcement was a signal to Google consumers, advertisers, external developers, and employees that AI and its associated investments in data and analytics had become essential to the company's business and operating models. Virtually every aspect of Google was going to leverage this core. All of Google's products and services (several with billions of active users) would increase the value they delivered through conversational (speech, text), ambient (in all types of devices), and contextual (understand what you want) AI, and each process would continuously learn and adapt.

The embedded AI systems would always be trying to predict what its consumers wanted or needed, updating these models across all interactions. This predictive power would of course be hugely valuable to Google's advertisers as well. An AI-first approach meant that Google's ads would become increasingly personalized and contextualized, ultimately increasing relevance and yielding more clicks.

The Pichai announcement provided a clear message and wake-up call. For Google's employees, technical as well as business focused, this was a signal to develop an in-depth understanding of AI and drive its application across every aspect of the company's value creation, capture, and operating model. For Google's massive ecosystem of partners and developers, it was an invitation to embed AI to improve their own products and services, from exercise apps to TVs. For the rest of us who were listening, it became clear that AI had finally come of age. For literally millions of people, AI was no longer a promising set of innovative technologies; it was becoming the core of the firm.

Marco Iansiti and Karim R. Lakhani, C*ompeting in the Age of AI: Strategy and Leadership When Algorithms and Networks Run the World* (Harvard Business School Publishing, 2020)

Novel insight into Amazon's strategy

Amazon is not only one of the world's most powerful and innovative companies, but one of the most secretive. Financial analysts have an extremely difficult time breaking through the corporate shields that Bezos has erected [. . .] .So we wondered if there were a different way to x-ray into Amazon's strategic imperatives [. . .].

The founder's early fascination with innovation proved key because he remains an active inventor with many patents to his name. Bezos has been known to view Amazon as "a technology company pioneering e-commerce, not a retailer." We decided to test our hypothesis by examining Bezos' patent activities at Amazon. To do so, we began by looking at Amazon's patent history using the Derwent Innovation database for the years 1998-2018, which included more than 11,000 published patents in the United States.

We learned four surprising things from our analysis:

1. Jeff Bezos is an inventor. We were surprised to find that Bezos was named in 154 of Amazon's published patents. Of those patents, he was named as first inventor in 35 and was the sole inventor of 11 [. . .].

2. Jeff Bezos is inventing more, not less. Most notably, Bezos' patent activity increased dramatically post-2007, with 139 of his 154 patents published during that period. While this broadly correlates with Amazon's own increase in patent activity, Bezos' most active year was 2009, when he published 20 of Amazon's 72 patents. In that year, Bezos was directly involved in approximately 28 percent of all patents compared to only 0.7 percent of all patents in 2017 [. . .].

3. Jeff Bezos works on specific types of inventions. We found that Bezos had the most patents in areas that related to Amazon's core businesses, including e-commerce and logistics, followed by devices, digital content and computing. However, he also participated in two patents tied to unmanned aerial vehicles and one related to advertising. One of the busiest CEOs in the world still spends a lot of his "innovation" time on Amazon's core business [. . .].

4. Jeff Bezos' patents are customer-centric. For a more granular look at Bezos' inventions, we performed a word frequency analysis using the abstracts of his patents. The top five words in Bezos' patents were "users," "system," "device," "transaction," and "information." If we take "users" as a proxy for "customers," we see that Bezos' patenting activity reflects his customer-centric viewpoint [. . .].

Tricia Gregg and Boris Groysberg, "What We Learned from Reading Jeff Bezos' Patents," *HBS Working Knowledge,* 6 February 2020 https://hbswk.hbs.edu/item/what-we-learned-from-reading-jeff-bezos-patents

Economic malaise and finance-driven capitalism

The financiers who had taken over Payless ShoeSource didn't have much experience selling low-priced footwear, but they had big ideas about how things ought to be done. One was capitalizing on enthusiasm for the 2018 World Cup in the Latin American countries where the company had hundreds of stores.

When they saw an opportunity to buy a million pairs of World Cup-branded flip-flops, the money men turned shoe sellers overruled the midlevel supply managers at corporate headquarters in Topeka, who had pointed out a couple of problems. First, the sandals mostly wouldn't arrive on store shelves until after the World Cup was over.

Second, they were branded with the flags of countries like Mexico and Argentina — countries where Payless didn't have any stores.

Ultimately, the flip-flops had to be unloaded at steep markdowns, one of many missteps at a company that by early 2019 would liquidate its stores in the United States and enter its second bankruptcy in rapid succession, putting 16,000 people out of work. (It emerged from bankruptcy last month, with its third ownership group in four years.)

As in any corporate failure, there is no one cause. Over seven years, Payless went through a wringer of private equity and hedge fund stewardship that left it with inadequate technology, run-down stores and no financial cushion to survive an era of upheaval in retail.

But the collapse of Payless is more than a story of one discount shoe company that couldn't hack it in a changing business environment. It provides disquieting clues about one of the great mysteries of the modern economy.

Why hasn't the finance-driven capitalism of the last few decades created faster growth? What if the masters of financial efficiency are making choices that don't actually create the more dynamic, productive economy they promise? In extreme cases, what if they don't really know what they're doing at all?

Neil Irwin, "How Private Equity Buried Payless," *New York Times,* 31 January 2020.

Technology and disruption

Leadership in an age of transformation

The challenges to leaders are indeed formidable, not least the emergence of inter-institutional ecosystems involving complex feedback mechanisms which make outcomes for participants difficult to predict and harder to manage.. . . Far from being the answer, technology, with its emphasis on analytics and hard sciences, has lured managers away from Drucker's vision of management as a humanities-based liberal art. There is now a widespread feeling that as a result management has lost its way, being indirectly or indirectly implicated in some of the most urgent problems the world faces – climate change, inequality, political instability – which can't be solved without business involvement, but not by merely applying traditional management paradigms. In short, management is guilty of committing the cardinal Drucker sin of doing things right that shouldn't be done at all – which is squarely a failure of leadership.

The collapse of previous leadership certainties is clearly demonstrated by the fate of the post-Jack-Welch generation at the famous leadership academy that was GE. As INSEAD's Yves Doz pointed out, neither of the two unsuccessful candidates for Jack Welch's job was a success elsewhere. By imposing the GE playbook on it, Jim McNerney "nearly killed" 3M. The tenure of Robert Nardelli at Home Depot was similarly undistinguished. As for GE, the conglomerate last year did the unthinkable by appointing its first leader from outside the company. The common error, said Doz, was an 'over-structured' approach to leadership, over-reliant on GE's well-grooved processes and systems. In today's unpredictable conditions, leaders at incumbent companies tend to be too linear, even over-rational. "We have to resist the urge and instinct to plan. Sometimes the right answers are questions," said Doz. Yet the opposite totally unstructured approach, as demonstrated by leaders at fast-growing Nokia, is not a recipe for success either. Constantly surprised by their own success, Nokia managers had no playbook at all, simply replicating what had worked before, until it didn't. Leaders have to find their own way between the two extremes.

Simon Caulkin, "Preparing leaders for tomorrow: revisiting Drucker's lost art of management," *Drucker Forum* 6 February 2020 www.druckerforum.org/blog/?p=2505

End of an era in Silicon Valley

When Larry Page and Sergey Brin announced they were giving up their "day to day" duties at Alphabet early this month—leaving the heavy lifting to Google CEO Sundar Pichai—an era ended in more ways than one. As much as the news made history for the Mountain View search giant, it was also a fitting end to a cult of founderhood that peaked and crashed during the past 10 years.

At the beginning of this decade, "the Google Guys" were still the flag-bearers of that cult. From the time they started their company in the late 1990s, they gleefully drew the boxes that subsequent founder-savants would later check off: pursuing ideas that conventional wisdom deemed crazy; dismissing traditional business practices; and maintaining control of their company even after going public, bypassing oversight by granting themselves powerful voting shares.

The underlying philosophy was that founders knew better than shareholders what is good, not just for the company but for the world. If you gave them unlimited power, they might even eschew some profits for social good! Or, at the least, they'd postpone quick bucks for a long-term approach that only visionaries would appreciate. When Page claimed that Google was "not a conventional company," he was speaking for all founders, many of whom would subsequently adopt that convention.

But the decade we've just endured has shattered their halos.. . .Travis Kalanick, once celebrated as the hard-charging bro who was going to revolutionize transportation, created such a publicly toxic culture at Uber that his board tossed him aside. But even Kalanick's misdeeds don't compare to the Barnum-esque antics of WeWork's Adam Neumann, whose business plan crumbled under the scrutiny of its aborted IPO. And since he had embraced the tactic of loading voting power into the shares he owned, the only way to rid the company of its megalomanical founder was to pay him off.

Steven Levy, "The 2010s Killed the Cult of the Tech Founder, Great!" *Wired*, 29 December 2019 www.wired.com/story/the-2010s-killed-the-cult-of-the-tech-founder/

Culture and innovation

From crowdsourcing to marketplace

To avoid this kind of slip between invention and implementation, the International Committee of the Red Cross (ICRC) has developed a new approach to crowdsourcing ideas. It designed its Enable Makeathon project not only to generate good ideas of products to help people with disabilities, but also to make sure those ideas reach the market [. . .].

This was doubly true in the case of the Red Cross, because it's a health and humanitarian services NGO, not a manufacturer. ICRC executives realized that although the organization was in a good position to lead a contest for inventions to help the disabled, it did not have the right internal capabilities to further develop those ideas and take them to market. To overcome this obstacle, it needed to invent a new kind of innovation initiative that not only sparked creative proposals but also turned them into practical products that would reach underserved and often overlooked markets.

To tackle these challenges, the Red Cross collaborated with organizations with a stake in the problem in question to fill the expertise and resource gaps in the innovation chain and to assist participants in getting their products to the market. For example, these partners trained participants in design thinking, how to build a business plan, how to find investors, and most importantly, how to turn their ideas into real-life products by building a route to market through established channels. Likewise, it has collaborated with several incubator programs (e.g., Artilab and Fablabs) to help scale solutions and address unforeseen challenges in the market.

Johanna Brunneder, Oguz A. Acar, Dirk Deichmann, and Tarun Sarwal, “A New Model for Crowdsourcing Innovation,” *Harvard Business Review* January 2020.

Industry focus

Will Amazon disrupt higher education?

Michelle Weise, the senior vice president of workforce strategies at Strada Education Network and the chief innovation officer for the Strada Institute for the Future of Work, has written that although 93% of CEOs surveyed by PwC recognized “the need to change their strategy for attracting and retaining talent,” a stunning 61% revealed that they hadn’t yet taken any steps to do so. Employees seem to agree. According to a recent survey by Harvard Business Publishing Corporate Learning and Degreed, nearly half of employees are disappointed in their employer’s learning and development programs.

But there are some notable exceptions to this prevailing trend. For instance, in July 2019, Amazon announced that it would “spend $700 million over six years on postsecondary job training for 100,000 of its soon-to-be 300,000 workers.” For now, Amazon says it intends to outsource that training to traditional colleges and universities. But once Amazon has begun to provide the bridge for that training, it’s not hard to imagine that it will be well positioned to create that training itself — without the “middle man” of colleges and universities — in the future.

Michael B. Horn, “Education, Disrupted,” *Sloan Management Review* 27 January 2020 sloanreview.mit.edu/article/education-disrupted

College alternatives proliferate

As the cost of a university education continues to balloon, many wonder whether the return on the investment is worth it and if there might be alternative paths to job success.

Enter micro-credentials. While higher education and human resources experts all have slightly different interpretations of what they are, many agree that the concept has emerged in response to the skills gap caused by new technologies. Essentially, micro-credentials are bite-sized chunks of education, whether an online course, bootcamp certificate or apprenticeship from a traditional university, specialty provider or online learning platform like Coursera, EdX or Udacity.

Many individuals already use micro-credentials to broaden their skillsets. Still, some have suggested that in the future, a prospective employee might be able to ‘stack’ these credentials together in place of a university degree. The idea is that it would be more accessible and provide a more affordable – perhaps more targeted – path into employment.

Anisa Purbassari Horton, “Could micro-credentials compete with traditional degrees?” BBC *Worklife* 17 February 2020 www.bbc.com/worklife/article/20200212-could-micro-credentials-compete-with-traditional-degrees?ocid=ww.social.link.twitter

A wider view

What Facebook hath wrought

Content collapse, as I define it, is the tendency of social media to blur traditional distinctions among once distinct types of information — distinctions of form, register, sense and importance. As social media becomes the main conduit for information of all sorts — personal correspondence, news and opinion, entertainment, art, instruction — it homogenizes that information as well as our responses to it.

Content began collapsing the moment it began to be delivered through computers. Digitization made it possible to deliver information that had required specialized mediums — newspapers and magazines, vinyl records and cassettes, radios, TVs, telephones, cinemas, etc. — through a single, universal medium. In the process, the formal standards and organizational hierarchies inherent to the old mediums began to disappear. The computer flattened everything [. . .].

What appeared on the screen was a jumble, high mixed with low, silly with smart, tragic with trivial. The cacophony of the RSS feed, it's now clear, heralded a sea change in the distribution and consumption of information. The new order would be disorder.

Nicholas Carr, "From context collapse to content collapse," Rough *Type*, 13 January 2020 www.roughtype.com/?p=8724

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