Leadership and strategy in the news

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Of strategies and strategists

Roger Martin on audacious objectives

Objective and Key Results (OKRs) must be a complement to strategy, not a substitute for strategy. . . It is problematic for OKRs to masquerade as strategy.

That happens when leadership of an organization sets an audacious goal — as called for in the OKR methodology — and then parses it out into key results. . . . That is, if the organization does indeed achieve the key results, it will have achieved the audacious goal.

However, it begs the question of whether the organization in question has any chance of achieving the key results? In my observation, there is an implicit assumption that if we set the proper key results that are causally linked to the achievement of the objective, the setting of the key results will make it more likely that the objective will be achieved. But desire (as with hope) is simply not a strategy. The desire to achieve the named key results won't cause those key results to happen. . . .

Your strategy is the thing that will cause your NPS to rise or your customer churn to fall, or your customer acquisition to strengthen. Your current where to play/how to win (WTP/HTW) choice produces your current results. Better results will only be causally driven by a more powerful WTP/HTW choice. The setting of key results will have little or nothing to do with their achievement.

I know it is romantic to think that OKRs had much to do with the success of Google. But my bet is that if we had perfect data on Google and we did a multiple regression analysis of the factors that caused its other-worldly success, over 90% of the causality would go to one variable: inventing the single most valuable business in the history of the world — search-based advertising, a gigantic, zero-marginal-cost business, combined with a fabulous business model (giving search away to drive demand and monetizing those users by selling search terms to advertisers). OKRs would be in the residual term — a tiny rounding error.

That having been said, I do agree with the setting of an audacious objective. I call it a winning aspiration (WA), but because I try not to be precious about terminology, I have no objection to the term "audacious objective." But I argue that it is absolutely critical to toggle back and forth between WA and WTP/HTW until such time as you have consistency and mutual reinforcement among the three. If it isn't paired with a WTP/HTW that has a good chance of achieving the desired objective/aspiration, an audacious objective/WA is worse than useless. It will cause senseless wasting of resources and generate discouragement when it isn't met.

Roger Martin, "Stop Letting OKRs Masquerade ass Strategy," *Playing to Win*, 15 November 2021 https://rogermartin.medium.com/stop-letting-okrs-masquerade-as-strategy-a57fc2cea915

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).

How to evaluate a business model

Some business models are inherently more attractive than others, yet investors and other stakeholders often don't ask the obvious questions. Here's a checklist. . . .

People like to make thinking about business models really complicated. While that can sometimes have its place, for those looking for a quick overview of what makes one model superior to another, this might be a good place to start. Let's walk through some key questions.

Question 1: Are we able to create switching costs once we have a customer working with us?

Some of the most powerful business models in use today depend on the fact that it is inconvenient, expensive or time-consuming for customers to switch to another provider. . . .

Network effects are another form of switching cost. Once all my friends and family are on a social network, for instance, to port all that information somewhere else is difficult or even impossible. . . .

Of course, switching costs can be undermined by adroit competitors. . . .

Question 5: Do we have the opportunity to take advantage of network effects?

This question gets at whether something about the offer increases to the extent that there are more users, more connections or more activity connected to it, making it more valuable as more of these add-ons accumulate. This is the secret sauce behind the popularity of platform business models, in which companies try to match two sides of markets and take a little cut of all the transactions that happen there. . . .

You have to be a tad careful before you enthusiastically believe that network effects will be an all-time fix, however. Uber, for instance, is learning, painfully, that the power of network effects are limited, because the business is confined to purely local areas. . . .

Rita McGrath, "10 Questions to Ask Before You Believe in a Business Model," *Deloitte Insights*, 2 November 2021 https://www2.deloitte.com/us/en/insights/topics/talent/creativity-in-business-operations.html

Are malls the future of health care

Retail shopping malls, which were already in trouble before the pandemic, have become even less viable during it. But there's another type of mall, one that had gained some traction before the pandemic that now has even greater potential: the medical mall.

A medical mall, which can be installed in a converted shopping mall, may be a pure medical center or a mix of health care services and leased retail space. The most common definition of a medical mall is one that includes at least five health care tenants or units; by that definition, there are roughly 30 in the United States more than three-quarters of them mixed health care and retail venues.

Medical malls have the potential to enable hospital-based systems to deliver care more effectively, efficiently, and flexibly and to help address health care inequities and constantly evolving public health needs while promoting local economic development. . . .

For example, a medical mall might offer anchor services such as a large primary care hub practice, a big chain pharmacy, and day surgery and medical imaging centers; certain subspecialty outpatient services such as allergy/immunology, gastroenterology, cardiology, behavioral health, dental care, and optometry; and ancillary services such as laboratory testing, physical rehabilitation, a medical supply store, an easily accessible urgent care clinic, and a community health education center.

Leonard L. Berry, Kedar S. Mate, and Sunjay Letchuman, "Why Health Care Systems Should Invest in Medical Malls," *Harvard Business Review,* 16 November 2021 https://hbr.org/2021/11/why-health-care-systems-should-invest-in-medical-malls

The next strategic challenge

The formerly sleepy world of regulation has just become the hot new thing. Rules are being drawn up now that will fundamentally reshape the prospects of individual firms, sprawling ecosystems, and even entire nations. In this brave new world, the risks and opportunities of regulation have become a key driver of pretty much any business strategy. From e-commerce and energy production to selling experiences, financial services, and crypto payments, much hangs on what regulators will mandate, allow, or encourage in big tech. And if investors and businesses aspire to identify the future winners and losers, their first concern should be understanding, and potentially helping shape, the rules of the game. . . .

This is changing radically: as traditional boundaries vanish and digitization shifts consumption from products to experience-based bundles, platforms and the ecosystems they support rule the day, and with them comes a new type of power. As orchestrators of sector-spanning ecosystems drive the economy, regulators are revisiting their playbook, and more change is afoot. The rising regulatory backlash against big tech should be of concern to all companies.

Why are regulators pushing back so hard? It's because the tech firms' nodal network positions, and their ownership of data, have allowed them to make their customer relationships both deeper and broader. Ultimately, they can make themselves into a one-stop shop, orchestrating ecosystems that include other, co-specializing firms (called complementors) in order to meet customers' needs in a whole range of areas. Think Apple and its App Store, Amazon and its Marketplace, Google and its dominance in online advertising. This has prompted one of the most important changes in the regulatory landscape in well over a generation, especially in the field of competition law, with scholars asking whether antitrust law is truly fit for purpose.

Regulation in many areas – antitrust, tech, data, AI – will be a game-changer for companies, including those far beyond big tech that engage with platforms, in four distinct ways: it will determine where technology companies focus to get maximum profit, how competition is viewed across industries, how privacy (and potentially entry and scalability) work, and, finally, how companies create economies of scope, in which being active in one market provides benefits in others. Each of these factors affects the business of deciding strategy, specifically: where and how to play.

Michael G. Jacobides, "Why regulation of tech platforms is the new game changer for strategy," *strategy+business*, 5 November 2021 www.strategy-business.com/article/Why-regulation-of-tech-platforms-is-the-new-game-changer-for-strategy

Are projects the future of work?

Antonio Nieto-Rodriguez is the former chairman of the Project Management Institute, founder of Projects & Co. and the author of the *HBR Project Management Handbook*.

Harvard Business Review: Project management seems like a clear idea, but how do you define it and think about it in a way that might be different than what people assume?

ANTONIO NIETO-RODRIGUEZ: I want to move out from that project management term and move it up into projects, and we all do projects. And for me, the definition is anything that has to deal with change, that's projects. You can manage them through project management, Agile methods, design thinking, product management. But I want to really, I think we need to elevate and say, Well, all what goes around change, that's projects, and we need to manage them. . . .

From a micro perspective, from the way work is organized in companies, in businesses, it has evolved significantly in the sense that so far, operations have been prime in most of the organizations over the past 80 years. That's what I say, the world driven by efficiency, where most of the activities were around doing things cheaper, faster, more automated, more volumes. Companies have been organized for that. That's why you have hierarchies, that's where cultures like command and control have been in place and so on, but since a few years when artificial intelligence and robots are taking over a big chunk of operations, the type of work is shifted to project based. So I think the biggest, biggest disruption that happens in the world of projects is what we're experiencing now. A radical shift from operations to project based work.

"The Future of Work Is Projects, So You've Got to Get Them Right," *HBR IdeaCast*, November 2021 https://hbr.org/podcast/2021/11/the-future-of-work-is-projects-so-youve-got-to-get-them-right

What does it take to lead a successful startup?

Many companies are embracing "startup thinking" to launch their own products. . . . Here are the top lessons I have learned during my career in research and development. . . For the last six years, I have been a senior director of the Alpha Group, an internal incubator at Advance Publications with the aim to build startups in tech and media. . . .

Ideas are cheap, execution is everything. You do not need exact coordinates when you start to chase down an idea. It is great to have a general sense of important trends and tech. But in the end, lots of people can come up with the same conclusions. What matters are the details both from a product perspective but also an operational one. What you need to figure out is how to get somewhere specific and meaningful.

Network effects are real. The value of a service increases as more people use it. We call this phenomenon "network effects". . . . Network effects exist at multiple levels. . . . Network effects are real in business relationships, hiring, building trust and more.

Keep your head down. As technology overturns every sector, the odds that you are the first or only disruptor is slim-to-none. But just because there is somebody else in your niche does not mean you cannot both be successful. And even if you truly believe it is a winner-take-all game, focusing on what your competitor is doing will not improve your product, networks, execution or ideas.

Stop debating, start testing. We have all heard of going for the MVP – the minimum viable product – where a new product or website is developed with enough features to work for early adopters. Feedback from this initial group is used to design a final product. But why? The reason for this is because a rule of the internet is that it is ultimately cheaper and easier to try something than it is to debate about whether or not to try something.

David Cohn, "Five lessons every media innovator needs to learn," *Journalism* (UK), 17 November 2021 www.journalism.co.uk/news/five-tips-on-leading-tech-and-media-r-d/s2/a876990/

Microsoft defies the odds

One extensive study by researchers at Duke University (completed before the outset of the pandemic) concluded that a strong corporate culture fosters better execution, reduction in agency cost and therefore, higher productivity and creativity. Of the many executives surveyed, 92 percent thought that improving a firm's culture would improve its value. But only 16 percent felt that "their firm's culture is exactly what it should be. . . ."

The perceived complexity of the effort may deter some effort. An organization's culture, among other things, touches every functional department, affects assumptions about the nature of needed controls, influences the way people organize to work, and is often perceived as critical to its strategic direction. . . .

Among many, there is a perception that organizational culture change takes a long time, longer than the tenure of a leader, longer than the attention span of the organization—so long that other high priority initiatives by necessity will distract the organization from completing the effort. As venture capitalist John Doerr has said, "time is the enemy of transformation."

Studies have shown that the single most important element in determining success in changing an organization's culture is the interest, support, and even passion displayed by its leader. The quality of leadership is strongly linked to the level of employee engagement, and employee engagement (based in large part on trust) is a critical factor in achieving any kind of change.

Exhibit A is CEO Satya Nadella, who is credited with leading the reshaping of Microsoft's culture. In 2014, he found an organization that, among other things, had "lost its soul," honored "the smartest person in the room," fostered "know-it-alls vs. learn-it-alls," practiced "accountability that trumped everything," and in which "hierarchy and pecking order had taken control." The process of changing that culture involved a classic effort to identify and implement values and behaviors that would serve the company well in an age of cloud-based computing as opposed to Microsoft's former concentration on Word software.

James Heskett, "How Long Does It Take to Improve an Organization's Culture?" *HBS Working Knowledge*, 2 November 2021 https://hbswk.hbs.edu/item/how-long-does-it-take-to-improve-an-organizations-culture

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