



Postcard from the Leadership Frontier

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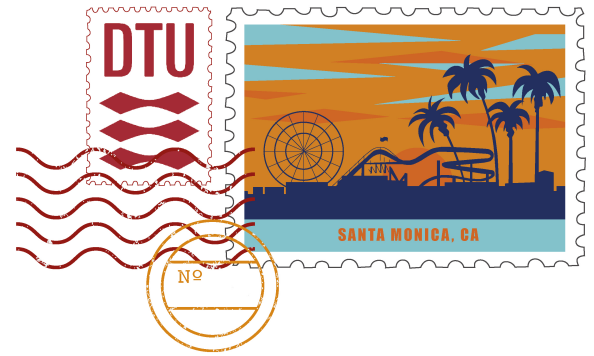
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June 2020, Santa Monica, CA

Postcards from the Leadership Frontier

Prof. Liisa Välikangas, DTU Management
Postcard (1): Lessons of Leadership
– Help, I Am Swimming Naked!



Dear Friends,

This is a postcard from my travels in the leadership frontier around the world, (virtually of course) visiting places that are familiar to me. So, greetings from the beach in Santa Monica, California.

Most people here are naked! And this is not a nudist beach but one Warren Buffet was spotted at years ago: When the tide turns, it becomes clear who is swimming naked.

We seem to be undergoing a sort of natural experiment of beach strip poker. When you lose a round, remove a piece of clothing. Looking around at the swimmers, lots of people seem to have been playing.

What a great opportunity to examine leadership in its naked outfit (Hans Christian Andersen wrote about The Emperor's New Clothes) during this natural experiment of resilience in which we are currently living. Much has, suddenly, become visible that was previously hidden.

What are *you* wearing?

We are used to believing that urgency, and in some cases a crisis, is necessary to implement fundamental change. This has been the old school leadership dogma for years. Yet, when the crisis becomes reality, it is too late to lead any planned strategic transformation. Crises have their own exploding dynamic that will run their own course.

Now the end game is herd immunity or an effective vaccine.

And what are leaders doing?

Many look for emergent business opportunities to benefit from – a serendipitous, opportunistic, and luck-based approach.

Innovative transformation can take place over night, even at a university. Zhejiang University in China is suddenly offering 5,000 courses to both undergraduate- and graduate students online. Local markets are selling Nordic gourmet food now that the restaurants are closed. Nike offers virtual home workouts coupled with online sales. Flight attendants are retraining as health care workers in Sweden. Hotel chains are offering their rooms to hospital staff and patients. Automotive makers are producing surgical face masks. Product lines are narrowed to be able to meet toilet paper demand in the US. Beer breweries with their fermentation vats may be asked to manufacture vaccines (New York Times, April 18, 2020).

Leadership Lesson 1: Radically Accelerating Innovation

Some of this chaos may wither once the pandemic is over. But it will likely have left a mark in terms of radically faster way of implementing change. The events are incidental; most of this new activity was likely not part of any company's strategic plan.

Yet when the market shuts down overnight, as one executive put it, "suddenly there are no fixed costs or sacred cows."

It is as if solid has turned liquid.

What remains after the pandemic may be the lived experience that such instant morphing is possible. Would you have believed your company could be so agile? That you could accomplish something in a day or a week, that was not possible to do over many years or cut costs 90 percent when 10 percent was too difficult?

Sometimes, innovation is driven by resource-scarcity: Scholars in creative cognition have found in laboratory tests that subjects are most innovative when given fewer rather than more resources to solve a problem (Gibbert et al., 2007).

To quote an old Finnish army adage (derived from Finland's battles against much bigger adversaries throughout the course of its history): *"If the heavy armor does not move with four people pushing it, take one man away and let us see if three can do it!"*

Leadership Lesson 2: Facing Up to Deep Uncertainty

There is also the experience of radical uncertainty as CEOs have a habit of saying: "No visibility". We may have moved from a world of managing risks to living with deep uncertainty, something many people around the world experience, especially in war-torn regions.

We know risks as events we can identify and assign probability to - fires, deaths, accidents, etc. To manage risks, there are emergency services, insurance, or built-in redundancy for a replacement coming online. These allow us to make informed decisions as to whether to take the risk or not.

Such control in life was once remarkable: *"The revolutionary idea that defines the boundary between modern times and the past is the mastery of risk: the notion that the future is more than a whim of the gods and that men and women are not passive before nature"* (Peter Bernstein, "Against the Gods", 1996).

We became masters of our own destiny.

Now we need to master uncertainty. Uncertainty is when we do not even know what to look for nor whether it is likely or not. Blue ocean strategy has become blue ocean uncertainty.

Note that the current pandemic was expected as Disease-X in World Health Organization's analysis. However, vaccine development could only begin with the genomic knowledge of the specific virus even though some prior lessons do apply.

Leadership Lesson 3: Train Change Muscles for Eventuality

An executive I worked with in a Fortune 500 company once said: *"When the tiger snaps at your tail, it is too late to learn how to run."* While we cannot know what uncertainty will bring, we can rehearse change in our organizations.

Such training of "change muscles" will be useful in any radically different situation: turning a potential threat into an opportunity when the situation can still be shaped to the company's advantage

(Välikangas, 2010).

The change muscles consist of innovative thinking - how can I break out of the mold and challenge my perspective to see what is happening early on?

Recruit a corporate jester as British Airways did in early 1990's: Paul Birch was a senior leader who took upon himself the mandate of making the invisible visible under the guise of a jester.

Humor helped. Birch explained in an interview: *"Fools pinpoint absurdity by acting out the absurd. They act as a mirror in which people see their mistakes without having to admit to them. This enables Fools to challenge accepted wisdom and create new alternatives."* (Otto, 2001).

Or if a jester is a bit too resilient for your taste, talk to people whom you do not usually talk to or read a professional magazine or website you have never seen or visited before. Look for outliers - examples that are as far away from the dominant or the average as possible (Välikangas & Gibbert, 2017). Think about what your frontier observations might mean in terms of challenging your thinking about an issue of strategic importance to your company.

Pay attention to what kind of emotions these deviants arouse: enthusiasm, fear or denial?

What do these emotions tell you?

The change muscles are built on experimentation: Not only because one in a thousand ideas will succeed, but also because such a portfolio will constitute strategic resilience of having tried, and learned from, a large number of activities.

The organization is better prepared to identify and respond to unfolding change in the business environment as there is a broader experience base on which to refer to. How broad is your portfolio of experimentation?

The change muscles also consist of thinking about resourcing in a creative, open way: not just in project budgeting but through harnessing ideas, energy, and contributions broadly, even outside the organization. How can you frame your company's most important challenge in such a way that smart people around the world might be interested in creating a solution?

That is what a San Francisco-based Kaggle does in data science - a community of half a million leading scientists racing each other to solve most intractable problems posed by companies and research organizations. (Kaggle was recently acquired by Google.)

How fast is your renewal cycle?

Think about how long it takes for your organization to move from: status quo - we do not need to do anything at least yet - to experimentation - shall we try? - all the way to resourcing the new. On average, companies take about five years to go through the renewal cycle based on my sampling of executive audiences.

Now the cycle has become compressed. Learning from radical acceleration may be the most valuable leadership lesson yet. Reflecting on the lessons - the positive and the negative - avoids the sudden surprise of swimming naked.

Professor **Liisa Välinkangas** is a scholar at DTU Management within the field of Strategic Leadership. She has previously worked within strategic management consulting firms, in addition to consultation work with Silicon Valley firms. She is also known for her publications in Strategic Renewal and Resilience.

"If you would like to share your thoughts and experiences, I would love to hear from you":

Liiva@dtu.dk



Additional readings on leadership:

Gibbert, M., Hoegl, M. & Välikangas, L. "In Praise of Resource Constraints", MIT Sloan Management Review, 48 (3), 15-17, 2007.

Hamel, G. & Välikangas, L. "The Quest for Resilience", Harvard Business Review, 81 (9), 52-63, 2003.

Otto, B. Fools are Everywhere, The Court Jester Around the World, University of Chicago Press.

Välikangas, L. & Gibbert M. "Learning lessons in strategic novelty from outliers", Strategy & Leadership, 44:2, 25 - 30, 2017.

Välikangas, L. The Resilient Organization: How adaptive cultures succeed even when strategy fails, McGraw-Hill, 2010.