

Innovation and Leadership - Lofty Visions, Practical Thinking and Shaping the Future

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02 Jan. 2022

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Which is the better approach?

- Pay full attention to the business environment, listen to customers and make products and services customers ask for. Let customers lead and be open to changing the direction of your business.

OR

- Use your imagination; dream of something big and make it a reality, no matter what. Have a strong vision and don't let anyone tell you what to do. Shape your own destiny and try to succeed against the odds.

This is a question about **control**. In the first scenario outlined above, businesses are the product of their environment. It's almost like taking a reactive approach to external factors (such as industry trends and customer expectations, among others). In this case, you (as a business executive) are not in control of the destiny of your business. Customers are. They tell you what to do, what to make, what to provide.

In the second of the two scenarios, it is you who is in the driving seat. By articulating your own vision and acting accordingly you take an active role in shaping the future of your business.

Business scholars have long argued over which is the better approach, often arriving at radically different, and frequently contradictory, conclusions. Let's outline a few of these.

The **Theory of Resource Dependence** was first developed by **Jeffrey Pfeffer** and **Gerald R. Salancik**. They coined the term “resource dependence” in their 1978 book, *The External Control of Organizations: A Resource Dependence Perspective*. The idea was later popularised by **Clayton Christensen**, one of the most renowned innovation theorists of recent times. The theory proceeds as follows. Executives and managers often think they can determine what a company can or cannot do. In reality, however, the business as a whole is entirely dependent on customers and investors. Companies that don't satisfy the needs of their customers will fail. This means that the ultimate decision-makers in a company are, in fact, its customers. This argument certainly bears cogent resemblance to broader observations of human activity. History shows that it is those in control of resources who control and shape their environment, not just in business but also in many other areas of life as well.

Lean thinking is another customer-centric approach to business that has become popular in recent years. Lean management puts the customer at the centre of business processes. Lean thinkers' main goal is to systematically figure out what customers want and what they are willing to pay for it. They then create solutions that customers need and deliver them in exactly the right way, at exactly the right time. Leading lean thinkers **Daniel T. Jones** and **James P. Womack** argue that the first priority of lean organisation should be to define value from the perspective of the customer. This is perhaps the most important principle of lean thinking, from which it follows that the only meaningful activity in a business is one that provides value for customers. Any other activity should be considered as "waste". Every activity that does not provide value to customers should be systematically eliminated.

Perhaps you are familiar with **Michael Porter's Five Forces Model**. In 1980 while doing his PhD at Harvard he observed that some industries operate with very high profit margins while others are just not profitable enough. He argues that external forces play a significant role in a company's success, demonstrating how we need to pay attention to and understand factors outside of our control.

So far so good. We are not in control of as much as we previously thought. With whom lies the power to make decisions? Are executives in a position to determine the direction of a business in a way that ensures its survival and makes their ideas viable? Or are their choices made for them through the influence of external forces that shape their environment and that they are powerless to control, such as consumer trends and customer expectations?

The second of the two outlined scenarios goes something like this: dream big, imagine a new world and make it a reality, no matter what happens. Don't be concerned about what people tell you. Just make your vision inspiring enough, work tirelessly and make it happen.

This approach certainly worked for the **Wright brothers**, who endured years of relentless criticism while constructing the first aeroplane out of bicycle parts without any formal training. History is full of examples of people who succeeded against the odds and made a viable business out of nothing. Sometimes it is necessary to ignore opinions and influences coming from the outside in order to stay engaged and motivated. Indeed, **Adam Grant**, bestselling author and professor at the Wharton School of the University of Pennsylvania, argues that successful innovators and highly creative people often need to be driven by a certain amount of irrationality. They don't always have to be 100% in sync with reality. It's about having an extraordinary amount of faith in their own ideas and in their abilities to make them a reality. This mentality can offer an enormous amount of motivation in the face of repeated obstacles and times when everything looks hopeless.

History offers numerous examples of when ignoring the opinions and expectations of other people really paid off. Here are just a few examples, taken from **Guy Kawasaki's** amazing book.

- When the Paris Exhibition closes electric light will close with it and no more will be heard of it. *Erasmus Wilson, professor at Oxford University, 1878*
- Well-informed people know it is impossible to transmit the voice over wires and that were it possible to do so, the thing would be of no practical value. *Editorial in the Boston Post, 1865*
- This "telephone" has too many shortcomings to be seriously considered as a means of communication. The device is inherently of no value to us. *Western Union internal memo, 1876*
- While theoretically and technically television may be feasible, commercially and financially I consider it an impossibility, a development of which we need waste little time dreaming. *Lee DeForest, quoted in The New York Times, 1926*
- Man will never reach the moon, regardless of all future scientific advances. Lee DeForest, inventor of the audion tube, *New York Times, February 25, 1957*

- I think there is a world market for about five computers. *Remark attributed to Thomas Watson, chairman of the board of IBM, 1943*
- [Airplanes] are interesting toys but of no military value. *Marechal Ferdinand Foch, professor of strategy at and commandant of École supérieure de guerre, 1911*
- The wireless music box has no imaginable commercial value. Who would pay for a message sent to nobody in particular? *David Sarnoff's associates in response to his urgings for investment in the radio in the 1920s*
- More examples in Kawasaki's book, cited below.

However, how much faith and enthusiasm is necessary and how much is too much? Eric Ries famously argued that we focus far too much on the few extraordinary entrepreneurs who succeeded against the odds and achieved great fame and success, while ignoring the many others who failed because they persevered for too long.

Professor Richard P. Rumelt explains the downside of the "vision-driven" approach with his thought-provoking aeroplane analogy. *"I do know that believing that rays come out of your head and change the physical world and that by thinking only of success you can become a success, are forms of psychosis and cannot be recommended as approaches to management or strategy. All analysis starts with the consideration of what may happen, including unwelcome events. I would not care to fly in an aircraft designed by people who focused only on an image of a flying aeroplane and never considered modes of failure. Nevertheless, the doctrine that **one can impose one's visions and desires on the world** by the force of thought alone retains a powerful appeal to many people. Its acceptance **displaces critical thinking and good strategy.**"*

THE PROBLEM

So, as we have seen so far, focusing too little on our vision and letting external factors determine the direction of the business seems to mean giving up control over our destiny. If we focus entirely on trying to fulfil customer needs and wants instead of actively trying to improve their lives, we might easily end up making cat videos and putting them on YouTube.

On the other hand, focusing too much on our ideas and aspirations can lead us to lose touch with reality, which more often than not leads to failure.

If we want to thrive in today's highly volatile business environment, we need to find a way to integrate these two approaches. Vision is not enough. Neither, however, is simply being aware of customer needs and the wider business environment. The challenge is this: we need to take an active approach to shape the future. We need to envision new possibilities and make solutions that will make the world a better place. **BUT**, at the same time, we also need to adopt a down-to-earth attitude and focus on the hard realities of the environment in which we operate.

A FEW SUGGESTIONS

Cognitive scientist **Gabrielle Oettingen**, who has studied motivation and achievement for more than 25 years, reached an interesting conclusion about achievement on a personal level. We all have a dream, a vision, something we badly want to achieve. Oettingen found that people who focus not just on their dreams but also on the obstacles and possibilities of failure along the way are much more likely to achieve what they want. This finding goes against the advice offered in every self-help book and shakes the foundations of positive thinking. We certainly need a strong vision, something we deeply care about, something that keeps us going despite hardships and failures. However, when we are obsessed not just with our vision, but also with eliminating obstacles along the way, we are much more likely to succeed.

Strategic thinking expert **Julia Sloan** reached a similar conclusion after conducting deep interviews with dozens of respected strategists. She noted that almost all successful executives are obsessed with things that are out of their control. It keeps them up at night, thinking about what might possibly go wrong. They consider every possible scenario and examine the problem from many different angles. Of course, they have a vision, sometimes a great one that will possibly change the world. They also, however, make sure they are prepared for the unexpected.

As an illustration of this duality let's consider Harvard professor and leadership expert **Ronald Heifetz's** Balcony Theory. Imagine that you are at a party where everyone is dancing. You are dancing too with the crowd, together on the dance floor. You can notice certain things that are going on by interacting with people. You will also have a picture of what is going on at the party. However, if you want to attain a broad view of the party you need to leave the

dance floor and stand on the balcony. Then you will be able to see things you couldn't see before. It gives you a totally different picture. You will be able to see patterns, trends and new connections that are invisible from the dance floor. However, after gaining that knowledge you need to go back to the dance floor if you want to take real action and influence people. A good leader can be on the dance floor and the balcony at the same time.

In *The Lean Enterprise*, Barry O'Reilly, Jez Humble and Joanne Molesky also argue that lean thinking does not replace the necessity of having a vision. First of all, we need to make sure we know where we are going. Only then can we use the tools of lean management to narrow down possibilities and validate our ideas with real customers. The goal is to come up with solutions customers want and are willing to pay for.

AN EXAMPLE

As an example, take a look at **Elon Musk's** companies. Of course, he has huge visions. Reforming the world's automotive industry and making humanity an interplanetary species are not ordinary ambitions. However, he is also obsessed with the technical details and the practical viability of his ideas. He is one of the most technical-minded leaders out there and one who is actively involved in the daily processes of his companies. He breaks down complex problems to their first principles and builds solutions from the ground up. He approaches problems from the broadest and narrowest perspectives at the same time. For example, *"Tesla's mission is to accelerate the world's transition to sustainable energy."* Yet this mission is to be achieved by focusing on thousands of tiny technical details, such as considering the reasons why (Li-ion) batteries are so expensive and asking how this might be overcome.

In the case of SpaceX, Musk's approach is quite similar: dreaming up something really big and then coming up with a concrete way of making it commercially viable. "Revolutionize space technology, with the ultimate goal of enabling people to live on other planets." There is the monumental vision. And the way to achieve it is by coming up with solutions that are viable for immediate commercial use. For example, SpaceX have developed reusable rockets to transport people and payloads into Earth's orbit and beyond, while at the same time they are developing "high-speed, low-latency broadband internet across the globe" as an additional source of revenue. This is long-term and short-term thinking at the same time.

KEY TAKEAWAYS

- Today's successful leaders see the big picture and the small details at the same time.
- They integrate vision and broad exploration with opportunity-oriented practical thinking.
- They start with a broad perspective, while continuously narrowing down possibilities.
- They envision something big that will make the world a better place. But they are equally concerned about what could go wrong.
- They have a promotion and a prevention mindset at the same time.

And, finally, a relevant quote from Freeman Dyson

“Birds fly high in the air and survey broad vistas of mathematics out to the far horizon. They delight in concepts that unify our thinking.

“Frogs live in the mud below and see only the flowers that grow nearby. They delight in the details of particular objects.”

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Tesla, SpaceX and Musk

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