

The Future of Work podcast is a weekly show where Jacob has in-depth conversations with senior level executives, business leaders, and bestselling authors around the world on the future of work and the future in general. Topics cover everything from AI and automation to the gig economy to big data to the future of learning and everything in between. Each episode explores a new topic and features a special guest.

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**Jacob Morgan** 00:00

Hello everyone. Welcome to another episode of the future of work with Jacob Morgan before we get started today with my guest, if you get a couple of seconds please remember to rate review the podcast on Apple podcasts. And you can also follow the show on Spotify. And I also just put out a PDF called the leadership digest, which looks at nine crucial skills and mindsets from leaders around the world and it's based on 140 CEO interviews, you can grab that at [theleadershipdigest.com](http://theleadershipdigest.com). And today I am joined by Alex Osterwalder. He is the author of a new book called the invincible company. He's the co founder of Strategyzer, and a lot of you probably know him as being the creator of the business model canvas. Alex, thank you for joining me.

**Alex** 00:44

It's great to be here today.

**Jacob Morgan** 00:46

Before we jump into all the fun business stuff, I'm really curious just about your your background, your life. How did you grow up? How did you get involved into all this stuff that you're doing now?

**Alex** 01:00

I could talk for an hour now, but I don't know if that would be the most interesting for the listeners. But I am a Swiss German. I was born in Switzerland in the German speaking part. Then with my parents, we moved to Canada. So I did a little bit of my youth there, came back to Switzerland, then studied in the French speaking part, actually political science, before going on with business studies and doing a doctoral dissertation on business model innovation. And then after that, just trying to bring these ideas to real companies throughout the world. Because Funny enough, you know, the stuff I did as an academic well it got downloaded, so nobody told me, people would download a PhD dissertation. But that was a really, you know, interesting signal. So we went on with my PG supervisor, you've been hearing back then to start writing books together and then you know, everything else just kind of came out of that the passion for innovation. just happened from that kind of start. And the detail on the side, I'm married. I have two kids. They're my passion. Besides the whole business model innovation stuff.

**Jacob Morgan** 02:11

How many languages do you speak?

**Alex** 02:14

Not enough. So, in Switzerland, we grow up with two languages, right? So we have a mother tongue that in my case, that's German. Then I learned French at school. I was terrible at it before I moved to the French speaking part, but studied in French. And I did learn English because my older sister so she's six years older. When we came back from Canada, she decided she's going to speak English with me. So I was lucky enough to learn English through my sister. So three languages, little bit of Spanish and Italian not good enough. Love more of that. And I tried Thai, but Thai is very hard to learn. It's a tonal language.

**Jacob Morgan** 02:56

I like how you say three languages and then you're like, oh, by the way, a little bit of Thai a little bit. This little speak like 20 languages.

**Alex** 03:03

Oh, only that would be great. That would be great. But not the case.

**Jacob Morgan** 03:07

So curious. Do you remember the first full time job you had? Did you ever work for an actual another company before you went off and co founded Strategyzer?

**Alex** 03:18

I think I'm unemployable. So I don't think I really ever had a real job. So if you want my first real time, full time job was as a assistant doing my PhD at the University of Lausanne and my boss was my PhD supervisor, you should be near who's now you know, long term co author, mentor and friend. I think that's the only real job I had. I did some freelance stuff as a journalist. I started a couple of an entrepreneurial ventures which never some of those never really became real big companies, but employed. I think the only one was this as a as an assistant and then other things were kind of side hustles for, you know, to earn money as a student,

**Jacob Morgan** 04:02

I see I find that very interesting. Did you? And is this because like, did you apply for full time jobs? And just the interviews didn't go well, or nobody followed up with you? Or did you never even go down that path of trying to work for anybody else?

**Alex** 04:17

That's a, That's a great question. Because I actually tried to get employed, nobody wanted me. But you know, at the end of the day, I was always interested in creating new stuff. But I did do one job interview. It's a funny story. And at McKinsey, the consulting firm and because I didn't get that job, I was I was a disaster, right? So I was just not ready for that. Because I didn't get that job. I started working with a Yves Pigneur. I did an interview with a Yves Pigneur and he became my co author, longtime friends. So I did apply. Same thing after my dissertation. I actually tried to become an academic and the universities where I applied They didn't want me So, Funny enough, you know, I, I made my own path and now you know, universities and consulting firms are calling me all the time to give talks there.

**Jacob Morgan** 05:10

That's fascinating. Um, you know, today there's clearly a lot of stuff that's that's happening as far as current events. What's kind of your general perception your general thoughts on on what's going on in the world and maybe even specifically in the world of work?

**Alex** 05:29

I think it's very interesting times and obviously very troubling for a lot of people. I mean, you know, from from the health aspect to the job security aspect to you know, if you're a leader, you have to change your behavior. So, extremely, I'd say challenging in positive and negative ways right. So some are on the positive side and some are on the negative side. So I'm lucky enough to be on the side to really say wow, this, this is a very strong opportunity for the kind of work my team and I do, because we've always believed in software platforms and using software to help innovate. So we were kind of catapulted into a interesting position where all of the multinationals we work with is they continue to work with us because they want to do everything online. And that's what we do, right? We call it technology enabled services. What that means in a general sense, I do think, is that you know, what happened in the world of work, given this entire context with COVID-19. The best and the worst came out of people and organizations, right? So both right, some organizations, the way they separated paths from people, how they fired them was terrible, like it's just not it really showed the weaknesses of some organizations and their leadership. And then on the other hand, you have organizations that really started to shine, they also some had to separate paths because you know, Sometimes you just can't survive with all of the people you have good example is Airbnb. But the way they did it showed how respectful they are of their team. And sometimes you have to make these hard calls. But it's how you execute them that show, you know if you're a great organization or not. So I do believe this has really brought out the best and the worst of people and organizations, and people won't forget, right. So the way you treated people during this crisis, this pandemic, will stick with them forever. You could have been, you know, great employer before, but now we're really, you know, get serious. They will remember that's for sure. So I think it's an interesting time just to see, you know, where do you want to be?

**Alex** 07:48

And I think people also start to ask themselves, do I really want to be at this organization at this company that treated me like this? And others say, wow, I really believe our culture is shining because we did You know, this is a company that really respects me as a human being and as a team member that is trying to do the best work.

**Jacob Morgan** 08:06

I'm really glad that you brought that up. Because I think that's a very, very important point. And you mentioned Airbnb, I think Marriott was another good example of a company where, you know, their, their CEO, who's himself, I believe, going through cancer treatment, did this video and you could see he's getting very emotional. He's getting teary eyed as he's talking about his people. And then you see other organizations and does one come to mind for you as far as the wrong way to do this, obviously, Airbnb you said, you know, they had to let go their people but they did it in a very human way. Who do you think did it the wrong way?

**Alex** 08:45

You know, I don't really like calling out organizations

**Jacob Morgan** 08:48

I know I figured.

**Alex** 08:50

But but you know, they'll tell you the reason why it's it's I'm I'm okay to you know, really clearly talk about things I don't agree with. But when you haven't been involved in a decision and in the execution, you don't always know all the reasons. So, you know, all I want to say before I mentioned some names is these are not easy things to do to execute and to implement. So I don't I don't want to downplay you know what some of the leadership in companies are going through, it's hard, it's really hard to do. And now it's easy to sit on a chair and say, Look, Oh, those those guys did a really bad job. They're terrible, when you've never had to manage a multi billion dollar company that does that as a caveat before I start pointing out some names. The first say the characteristics that that I, you know, didn't shock me, but that I really think came out in this in this crisis in this economic environment. So companies that really, you know, they had this tradition of buying back shares of cutting, you know, really cutting back cost cutting in to a very extreme extent. And then you know, comes a crisis like this a pandemic in the first thing they do is ask for money from the government. So if you want to be, you know, a capitalist organization, you also need to live with the consequences that if you didn't manage your company the right way before, well, don't start asking for money when it gets hard, right, because I do believe companies that that did a good job before the pandemic, you know, are better equipped for a situation like this. And I do think Airbnb, you know, though they had to let go of 25% of their staff was much better equipped for this situation, because, yes, very difficult. And it's it's a miracle that they're even alive and that they didn't go bankrupt. A company that I and again, I don't know the case very well I can generally read about it. So, just kind of shocked me the two three things that I picked out

**Jacob Morgan** 11:03

I wonder if we're thinking about the same one. So I'm very curious what you're gonna say,

**Alex** 11:06

Okay. Okay, I was thinking of Disney.

**Jacob Morgan** 11:09

Okay

**Alex** 11:10

In the sense that look, it's very clear that Disney had to do something because a lot of their revenue and profit comes from theme parks and, you know, physical activities and, and for movies in cinema, so, so it's very clear they had to do something. So I'm not criticizing that they had to take action. It's kind of how they've done it and what they've done before, you know, this whole bonus and culture and then, you know, letting people go in, maybe not the best and most human way, while as a company, you know, the founder, kind of the tradition of Disney is this kind of family friendly organization, you know, it So, the way they did it disturbed me. I'm not criticizing the decision that they had to cut back because again, Airbnb had to do that as well. That is something that I found a bit disturbing.

**Jacob Morgan** 12:05

What did they do for

**Alex** 12:06

I'm not sure if you were thinking about that company.

**Jacob Morgan** 12:08

No, I'll tell you the one that I was thinking of, but for people who are not familiar with with what Disney did, can you give a little bit of context around? What? What did you not like about what you read from their approach?

**Alex** 12:20

Well, you know, it's it's difficult when some of the leadership still gets bonuses and you know, you're not first doing everything you can to protect the people in your organization before you start cutting back. So I think they could have cut, cut money cut back in other places before they start firing people. And then the way they did the mass firings, and I don't want to go into details there. Because again, I wasn't involved. I don't know the behind the scenes. You know, I just found it was a very aggressive way of letting people go. And to a certain extent. You know, I do think the so let me make it a little bit broader in our completely outside of the innovation topic, but I do think the American us type of capitalism is really seeing as limits with this pandemic. You know, when you have so many unemployed, because, you know, companies, let them go, and there's a very weak safety net. I think that's very dramatic. And I think it's really showing the limits and it maybe is hopefully by the end of this type of capitalism, so I'm not against capitalism, but I'm more for the Swiss or Nordic type of capitalism, where you have competition but you also have strong protection of people, not protection of companies but a protection of, of people. And you know what, what what's happening now in North America is that companies are holding out their hands. For money from the state again, well, that's not very capitalist like you say, well, it's extraordinary situations. I think in Europe, we do see, and I'm really not about pitching Europe against the US is really a milder form of capitalism in some countries in Europe, and it's showing its strength right now. So I do think organizations around the world and economies to a certain extent, will have to rethink the way they do things. Again, I'm absolutely for competition for capitalism for growth. But I also think it can't be at the expense of people in companies because that's the foundation of a company and society because, you know, that's what we're here for. If we, you know, have shitty organizations and terrible companies and terrible leadership, and we have to suffer so much. We're probably doing something wrong and you know, the statistics, you know there was a Gallup poll that just showed that I think eight out of 10 people are not engaged at work. There's something wrong in organizations today and in some of the ways we compete. So I think we can do better than that. And that's where innovation comes in. I think innovation is not just at the end of the goal of making more money and growing. That's it. That's the thing that's part of the game. But the real, the real value of innovation is creating more value for customers, more value for organizations, more value for employees, and ultimately more value for society. And the environment if we don't respect that, that then innovation is about value creation for all of those stakeholders. You know, then we can ask ourselves, well, what are we doing so so I'm, we're now in born more philosophical field, but I do think we're going through substantial changes, and I'm positive that we come out of it stronger, and we will do better things because we've seen the limits of the system so far.

**Jacob Morgan** 15:56

I certainly hope so. And you're right. I mean, some of the stuff in the states is completely bonkers, especially, I mean, you touched on some of them. That, you know, the big payouts that CEOs get is just and and there's no words like I, I really don't even know what to say about it, everybody knows that it's complete, you know, complete bullshit and nobody does anything about it. So the one thing that I'm fascinated by though is there have been some companies in the past. So for example, I had Pehr Gyllenhammar as a guest on the podcast, and he was the CEO of Volvo. And we were talking about the same thing. And he said, You know, I had to deal with the oil crisis, I had to deal with recessions in the 80s and the 90s. And he said, I didn't lay off anybody. And this and you know, this is manufacturing. These are people on the assembly line, and he said, I didn't have to layoff anybody. So why are people having to layoff people now? or Why are leaders having to lay people off now? And the same thing I had Bob Chapman, I don't know if you know, Bob, he he's the CEO of a company called Barry wehmiller. And they have 12,000 employees also in manufacturing. And he was talking about the 2008 financial crisis where he had his entire board basically telling him, Hey, you got it, you gotta fire, like, a massive percentage of your workforce. And he too, did not let go of anybody. So part of me wonder is, and I don't know what you think about this. If, if we really need to be letting go of people, like do you think that it's, you know, our leaders just scared to come up with new ideas? Are they scared to innovate in this area? Are they just putting the numbers first? Like, is there really no way to, to really put the people first in some of these situations?

**Alex** 17:42

So look, that the the answer to that question is very contextual, right. So I do frankly, believe there's situations where you don't have another choice where you have to make that decision because if you don't, you really risk that the company goes bankrupt, right? And then you haven't served anybody Because then everybody ain't no is jobless. So there are those situations. Now, I do think sometimes leader act too fast on firing, because it's possible in in the States but I think the bigger opportunity is what you do before you can create an organization that is more resilient in these times of crisis, right? So it's not now that we can change or change our behaviors, some of that and because even if you have to let go people it's a hard decision how you do it makes a huge difference. Sometimes you just have to, however, I do believe and this comes you know, looking, back to the the the book that we just published the invincible company, and you can create more resilient organizations. And that does mean you invest, not just in executing what you have and cutting back costs, but creating a space and I don't mean a physical space, a cultural space, an organizational space in terms of metrics, in terms of skills, where you have team members inventing the future. That is the entrepreneurial innovation arm of the organization. If you are in a crisis, those are the people who can come up with new solutions rapidly because they can pivot faster because they can. They're, they're comfortable with uncertainty, because what basically happened with the pandemic now is it's one big disruption that affected everybody and only few organizations positively like zoom, or, or Netflix and then there are a couple of industries that benefited from this, but most of us, you know, are in a tricky situation. I do believe you can build that resilient organization. It also means that rather than buying back shares, you have a war chest prong wrong word probably but you have reserves for these cases. of situations. So again, I think that the real work happens before to create more resilient organizations. In a crisis, sometimes you really don't have the choice. And then of course, in depending on what industry you're in, it gets more difficult.

But the more general theme, I do think in that really, you know, it's an area I would like to dive into more in the future is extremely agile fluid organizations. And that's beyond the traditional agile that we talked about. It's organizations that are able to reallocate resources rather than firing people. That means you might have a division around around a certain product, but once the product becomes obsolete or the service or that part of the business, you're able to kind of move fluidly the resources from that area into new area.

**Alex** 20:55

I'll give you a wonderful example an historic one Kodak versus Fuji film, Kodak went bankrupt because they weren't able to dramatically reallocate resources. So their analog film business tanked. They got disrupted, they died. They did some things, but they didn't do it aggressively enough. You have Fujifilm who was the number two in analog film back then, were the CEO and Chairman was so obsessed by the company dying, that they aggressively reallocated resources and guess what they were an analog film like Kodak. What's the most obvious thing you could shift towards? cosmetics? Sounds intriguing right?

**Alex** 21:40

Well, here's the thing. The chemicals processes, intellectual property related to aging film can be used in cosmetics for aging skin. So they actually took you know a lot of their heritage in analog film. applied it to different areas like health sector, cosmetics, etc. So they aggressively reallocated resources. A more, you know, recent example that I liked a lot. The Swiss American company called Logitech A lot of us are probably right now using Logitech cameras and microphones and stuff. They, you know, when when the PC industry started to shrink, you know, they were big in PC peripherals like mice and so they shifted dramatically the CEO brackendale shifted 70% of the resource 75% of the resources into new growth areas and the way he likes to call it is, you know, Logitech, they say they have trees, plants and seeds. The trees was the pair of ferals businesses trees are starting to fall over. He really aggressively took 75% of the resources and put them into the seeds. Typically the PC gaming industry which is a very different industry and is growing was one they invested in heavily. So that is that that ability to be more resilient and constantly reinvent yourself will help you in a extreme pandemic like today. So I think again, it's the organizational structure that you built before that will allow you to work differently in an extreme disruptive situation. Now, it's not enough to say, Okay, now we're gonna change. It's too late. You've never built that resilient company. Guess what, you can't do it overnight. So it's the upfront work.

**Jacob Morgan** 23:32

So I had the Chief Human Resource Officer of HP here, Tracy Keough, and she's telling you the story about how and I think this relates to your example, but it's probably not at as grand of a scale as some of the ones that you've mentioned. But she was telling me the story, how they have a lot of merchandisers at HP, you know, people who are typically working in retail stores, and obviously during this pandemic, they can't work in retail stores. So they were trying to find an option. What could these people do? They didn't want to lay them off. And they took I think it was a couple couple hundred of these merchandisers and they shifted them to help with customer service. Because it turns out if you're a merchandiser, you know a lot about the products, you know a lot about how they work, and you have a lot of knowledge that you can provide to the customers. So they took all these merchandisers and

they said, You know what, until this is over, you're going to be on the customer service and support team and you're going to help customers figure out their issues. And that very much reminds me of some of the examples that that you gave, of being able to just kind of pivot, see where you have employees who have a certain skill Oh, and, you know, move that into another area. So that's, that's the one that I thought of.

**Alex** 24:47

I love I love that example. And it really shows you know, I mean, we often say that the human resources that the war for talent again, bad word, I don't like using the word war in this context, but We talked so much about people, Well, then let's actually try to keep them in these kinds of situations, right? So you can upskill people, you know, try to engage them. And then when it gets difficult say, hey, look, sorry, you know, we have to cut costs, you're fired, you're going to lose a lot of people and goodwill and knowledge, right? So I do believe it's just common sense to figure out a better way. And I do think you know, that even in these kind of extreme situations, it's really good management and good leadership that makes the difference. So I'm a huge fan of Alan Mulally, who turned around Ford, when they were making a \$17 billion loss like it can't get much more extreme than that. And he turned around the company without government money while all other car companies were opening in a holding out their hands for government support Ford didn't so under The leadership of Alan Mulally, he turned around the organization because he worked on the culture. It wasn't just about the traditional turnarounds, you know, style of being extremely aggressive and firing people. No, it was good management that led to that I had the opportunity to spend some time with Alan Mulally and it's just impressive, that style of leadership is something that is still very rare, that engaging leadership that he was, you know, doing first at Boeing and then after at at Ford, really, really impressive. And I do believe that it's still kind of an art, you know, to be a good leader and we have some stereotypes of leadership that I think are just outmoded, right? And we need to go back to kind of the fundamentals and and create a different kind of leadership for different times. I do think the global competitive environment is very different today. So you need a different style of leadership, different style of organizations as well. Right. So there are a lot of things that need to change. And again, what's great about the pandemic, and I don't want to you know, downplay the tragic things that come with this pandemic. But there's also an upside. So I do think we need to focus on that upside, which is, this was so eye opening to so many people from the top to the bottom to the left to the right of organizations, that this is a great opportunity now to change because everybody was shaking so much, you need that aggressive kind of shaking, for people to realize, we can't just go on as we did before, there were too many things that were broken. So again, the great and the worst, the best and the worst came out of people in organizations. That makes it very visible towards what we should shift more and I would be very helpful. For that we are we're going to focus on what we can fix and what we should fix, rather than just going back to business as usual with our with, you know, many broken organizations.

**Jacob Morgan** 28:12

Well, let's talk a little bit about some of those things that we should be fixing. And maybe we can start with leaders. So because a lot of people who listen to this podcast are either leaders themselves now, or perhaps they want to be leaders, you know, everybody is engaged with leadership in some way. So what is it about leadership that you think needs to change?

**Alex** 28:34

Again, I'm not a leadership expert, right. So I can talk about kind of the anecdotes and bring it back to the whole the whole theme of resilient companies and creating innovation engines.

**Jacob Morgan** 28:44

Yes, yes.

**Alex** 28:45

So So I do think there's this still this stereotype of the leaders who know the leaders who decide and who need to pick the right ideas, etc. Well, guess what, if you are smarter than The domain matter experts you work with, then you failed in your hiring. So you actually, as the leader, need to assemble the right team of people who are good in their field, and then you orchestrate that. Right? So if you have a chief marketing officer who you have to educate on marketing, sounds silly what I'm saying, right? But but you want somebody who is better and smarter than you in that particular field. What so what is then the job of the leader, if it's not about knowing, you know, those kind of things. It's about creating the environment, for great ideas to emerge and succeed, the conditions you create, right? The culture you create in the organization, the type of processes and metrics you put in place. So it's not about deciding on you know, which idea we're going to invest in, you know, what are we going to do here there, but it's about creating the right environments. So if I bring it back to innovation and the resilient company Innovation, there's still a little bit this myth that we can pick the great idea. We're going to invest, you know, couple hundred million dollars into that. And we'll have a new billion dollar growth engine. That is delusional. Because what we know from innovation is that you can't pick it the winner. And then at the beginning, bad ideas and good ideas actually look pretty similar. So what can we do if we can't pick the ideas? Well, what you need to do is create the right environment where a company invests in you know, the number is somewhere between hundred and 200 projects, a little bit of money, but then, after a very short amount of time, kills 70% of those and invest only in 30%. It's a little bit like venture capitalists to a company in Germany called Bosch 400,000 employees, a big engineering company does exactly like that. over three years. They invested in 200 projects, but just three months after three months, they give them 120,000 euro for those three months, each team, they kill 70% of the projects, they only invest in 30%, those 30% get 300,000 euro. And they get a little bit more time, maybe six months or so, again, after six months or so they kill 75% of the project. So of the original 200 only 15 make it to execution. So it wasn't the leadership that decided on the ideas, per se, it was the evidence that showed if they would get follow up investment. So what's the leaders role? It's about creating the right environment where these teams can explore, fail a lot and learn the environment where the teams that didn't get follow up investments are not kind of stigmatized as losers because they couldn't get the project, right? No, that's a normal ratio from early stage venture capital. We actually know that one out of 250 ideas is an outsized winner, so So it's that kind of culture you need to put in place. So we don't start to stigmatize those who didn't succeed because they're contributing to the portfolio. So as a leader, again, you're not you shouldn't be the expert, because then you if you are you hired wrong. That obviously depends on kind of the domain you're in. And your main job is to create the conditions for success for to emerge. So, you know, that is one of the messages, you know, that I found really, really intriguing from Alan Mulally, he likes to say, sometimes, as a leader, you can create too much value. For example, you go to a business unit, and you casually make a comment, could you explore this, and then the team because they heard it from the boss, they think

they need to do this. So they're gonna focus all of their efforts on that because they heard it from the CEO, I while the CEO had an influence on that you know,

**Jacob Morgan** 33:00

I heard a very similar story. I'm trying to remember who it was that I was speaking with. It was a CEO of a company. And he was telling me how one time he went to go visit a new office space that they were building. And he saw some art on the wall. And he said, Oh, you know what? That that art looks really good. And the next thing he knows, they take that art, and they put it everywhere, in all the offices, and he's like, what's going on? Like, why is this art everywhere? And they said, Oh, because you liked it? And he's like, No, no, I didn't mean to put it everywhere. I just was saying that, you know that I like it. And I think you're right that sometimes when the leader says something, we can misinterpret that is, oh, that's what we should do. He likes it, we got to do it. And that's that's not always the case.

**Alex** 33:49

So and that's why you need a different kind of, so Ray Dalio has been pretty famous for putting in place a system at Bridgewater you know that that really allows ideas from anywhere to succeed, I think it might have been a little bit more on the aggressive side of a culture. So I would love to see that kind of culture emerge where the best ideas can win, you know, for wherever they come. And it's not the biggest, you know, a nicest business card that succeed. So, we're talking about stereotypes here, but there's still a lot of that left in companies. And I think we need to really fight against it.

**Jacob Morgan** 34:26

Well, what what can you as a leader do to create that culture? Because it's not like, let's say, for example, I'm leading a very conservative culture, I can't just go to my people and all of a sudden and say, Hey, everybody, I want you to, I want you to give me your ideas, and we're gonna vote on it. Right? I mean, it doesn't just require like, long term kind of systemic change, like where do you even begin to try to change this culture to create one of entrepreneurship or innovation?

**Alex** 34:54

Yeah, so I like to say that you shouldn't let culture just happen. You need to design and manage it. And then people and as Alex, like, he can't say that you can't design culture. Yes, you can. So if we take innovation, we know that there are a couple of areas that you need to invest in to get innovation off the ground. And I'll give you a very simple starting point. Innovation today doesn't really happen in many organizations because it lacks power. Because often the CEO is mainly focused on executing and managing the existing. And I'm not saying that's bad that we need to manage the existing but if innovation doesn't have enough power, it's always going to play the second fiddle, right. So organizations where you really see innovation take off. I'll give you a couple of examples. obvious one is, is Amazon with Jeff Bezos really emphasizes the focus on on innovation. We give you a to less known one so Logitech, the CEO brackendale spends 40 to 60% of his time on innovation that gives innovation power because it's symbolic. If the CEO spends a lot of time on innovation, then the next question is also the CEO picks the winning ideas no, the CEO creates the culture and metrics and spaces where innovation can emerge. And that is a partnership between innovation and execution. Those are two different domains and they need to live in harmony, not kind of in entrenched in it kind of Warzone. So, sometimes innovators like to call themselves pirates are rebels. I think that's silly

because pirates and rebels get killed. Like why would you want to be a pirate or rebel? Some are breaking the rules. It's about the leadership creating the right rules. So we can do both. World class execution and world class innovation.

**Jacob Morgan** 36:53

What about, you know, some leaders might be listening to this thinking, you know what, I just don't have an innovative team. You know, I I try to get my people to come up with ideas, but nobody says anything. nobody speaks up. Nobody, you know, they don't have ideas. So I have to do it all myself. Do you ever get that response?

**Alex** 37:12

If I hear a leader say that, I'm very careful, because it probably means that the people who have ideas and know what could or should be done, they've just been punished so often for actually exploring ideas that they don't dare anymore. So you have a cultural problem. So I think that's kind of what you see there. So So in, you know, leaders who tried to do it themselves are going to get it wrong. I have never seen in my entire career, an organization I'm talking about organizations bigger than 10 people, but you know, let's say 100 or 300 people or more. I've never seen an organization that was lacking ideas or lacking innovative entrepreneurial people. I've never seen it in organizations of a certain sizes, I'd say 100 to 300 people or more. They're always there. I have seen the situation that you just said right now, where people are not incentivized to innovate. So guess what, they won't open their mouth, had an interesting conversation with another thinker doer called Scott Anthony. So he wrote a couple of amazing books on innovation. And we were talking about blockers and enablers for innovation culture. And he said, Well, Alex, probably, we just need to tear down the blockers, and innovators you know, who are intrinsically interested in innovating, they will start to innovate. So the very first thing you need to do to create an innovation culture is tear down all of the blockers that are preventing people from innovating. I'll give you a simple one. business plans. companies still ask teams to write business plans for innovation. That's the worst thing you can do. It's the enemy of Innovation. A business plan is an execution document, you describe a dream in detail and you execute. Innovation is about picking an idea, adapting it and changing it until you create value and, you know, for the company and the customers. So it's a very different dynamic approach. So by tearing down the blockers, like business plans, like the wrong metrics, only execution focus metrics, will help you put innovation in place. And Jeff Bezos is actually in his shareholder letters talks about that all the time, publicly. So all we need to do is read those letters and start to copy that innovation culture. One of the things you know, we might criticize of Amazon, but innovation culture is something they do really well.

**Jacob Morgan** 39:46

Yeah, I agree. And Scott Anthony, I think he's one of the co founders of innoSight. That right is that we were talking about. So Mark Johnson on the podcast a couple of weeks ago, who's the other co founder of innoSight, and we talked talk a lot about this stuff as well. So I think it aligns very well with what you're saying. Um, so from this where, where can leaders begin? So let's say you're not the CEO, and you are maybe a mid level leader, you're responsible for a team, and you want to start to create this culture of innovation. You want to start to build this invincible team. Do you have some specific advice for where leaders can begin and what they should do first, like as soon as they're done listening to this podcast, and after they grab your book? What What should they be doing?

**Alex** 40:40

I would suggest they perform the Rita McGrath test. So Rita McGrath is a scholar

**Jacob Morgan** 40:46

Also a previous guest.

**Alex** 40:48

Awesome. Oh, you have great people. I'm happy. I'm a part of this group. So Rita says just as great thing was, she says, look at the CEOs agenda. Literally the agenda and look how much time is carved out for innovation. Or take the company's last four important, most important meetings and look at how much time was carved out for innovation. And now, here's what I would add. If it's not 40 to 60% of the CEOs over 40, I'll say let's put the bar a bit lower. If the CEO doesn't spend over 40% of his or her time on innovation, as a team lead, you actually want to really consider if it's worthwhile spending your time on innovation, because

**Jacob Morgan** 41:34

oh, wow, okay,

**Alex** 41:35

You're you're fighting against windmills, like you want you don't want to be Don Quixote fighting against windmills. So what you really want to know first, is your environment fit? We call innovation readiness, is your environment ready for innovation to happen? If you after the Rita McGrath test, you see it's not then you can ask yourself, you know who in the company at the very least Top Level could be sponsors to get on board to support innovation. And but you need that top level protection, I'd say, because otherwise, you're all you're going to do. And unfortunately, we still see this in quite a few companies. All you're going to do is innovation theater. No company is lacking innovation activities. There's incubators, there's all that kind of stuff. I'm not even talking about ping pong tables, I'm talking about really innovation activity. But as long as it's not connected to strategy, it's really a little bit of a suicide mission. I know a lot of innovation leads are up for that suicide missions. That's why they call themselves rebels and pirates. But I think we need to be a little bit more pragmatic. And, you know, first understand how ready is the company? And then based on that assessment, either change the job or say, Okay, here's the strategy. So, one person, I don't want to call out the name of the company, but one innovation lead innovation pharmaceutical company, one of the global leaders in pharmaceuticals. He was very smart. He knew, okay, we're not entirely ready, but I'll get a board member as a sponsor, and then we'll start working on quick wins. So rather than going for the, you know, multi billion dollar wins that they would only get maybe over over five years or a decade, he would start to get the protection required. And he got a fund to invest in internal teams who could go through this process. But the really, really important part is first get the protection and then work on the quick wins before you create the ideal situation. And in their case, they really put in place a really interesting innovation engine a little bit like I explained for Bosch, and they did that in the pharmaceutical industry. But again, do the Rita McGrath test first, just for the reality check to see how much you're fighting against the windmills.

**Jacob Morgan** 43:56

Do you ever get people push back and just say we don't have Time, you know, we have so many priorities. We're trying to look at talent. We're trying to look at redesigning our workspaces. We're thinking of diversity and inclusion as a priority. We have, you know, competition, like, there's just so much stuff out there.

**Jacob Morgan** 44:17

How do we give so much time to innovation? How do you? How do you deal? I mean, is that ever an objection around time or resources?

**Alex** 44:27

So, not in my case, I mean, maybe I'm just fortunate enough to get called in when companies are already interested. So I don't try to convince anybody of any things. I think it's a hopeless cause anyways, so I can just get them interested, you know, and try to reframe their thinking. I'll give you an example. I was with a global financial leader in Paris before the pandemic. And the CEO actually the head of innovation brought me in she's very good relationship with the CEO and was an interesting conversation. And I was telling you about the whole approach of, Okay, if you want to create a resilient company, if you want to create the invincible company, what you have to do is create an ongoing portfolio of innovations in addition to your portfolio of existing business models that you're managing, and rather than saying, Oh, we can't do that, that takes up a lot of energy. The thing was, oh, wow, we haven't done enough of that portfolio approach. While they were doing innovation. They clearly understood. The reason I believe today, very few companies say we don't have time for this, because it's a matter of survival. So you know, my friend Steve Blank, who launched the whole Lean Startup movement. He likes to say startups used to be ankle biters could just annoying. today. Those are killer machines. And guess why? Because startups are the main disruptors and they are in extremely well funded. Let me give you an example. And we all know, Tesla, okay? The car industry should have done what Tesla did, but it took an outside disrupter to do this. And the reason Tesla could do this is because Elan Musk was able to raise so much money. So today, outside disruptors are so well funded, they're actually much better funded than internal innovation teams, because r&d is not innovation. r&d is just technology research. Sometimes it leads to new products or services, it rarely leads to new growth engines. So today, leadership is aware. Innovation is a matter of survival increasingly, last point, sorry, get excited about this. I just go on. But last point is you need to tell leadership, that there are three types of innovation sounds true and when I say it, it's actually not. And I take this from Clay Christensen and others. There's efficiency, innovation, that's about Making your processes and existing business model better okay? Now if your industry is dying, your business model is dying, efficiency innovation, with very sophisticated technology will only help you die more efficiently think of Kodak Fischer couldn't save them in shaving In addition, any innovation right is new products that replace old ones. Kodak invented the digital camera, okay, Kodak invented it. So it wasn't a lack of innovation. But it was product innovation. It was sustaining kind of, you know, their, their their business model photography, but it killed the real business small. So what they should have done is the third category transformative innovation, really exploring completely new fields with new business models, the Amazon Web Services right of Amazon. So if you ask leaders, what are the most successful innovations you had the last three years 95% will fall into To efficiency, innovation 5% in sustaining innovation, zero percent in transformative innovation, you need to visualize that with the leadership team. So they understand,

we're doing nothing to invent the future. Only few companies really invent the future. And they do it really well. And they're top of the game.

**Alex** 48:18

Right? The Apples out there, ping on good Chinese example, Amazon. But this is an last thing. This is not just for big companies. So sometimes when I say this, everybody's design, Alex. But that sounds like just stuff for big companies. It's exactly the same for small and medium sized companies at a different scale. But it's the same logic, the same kind of cultural transformation you have to go through. So this is not just for big companies. This is a matter of survival for all types of companies.

**Jacob Morgan** 48:47

I also really like that you say invent the future because I think a lot of people always say things like, what's the future of work and they assume that it's something that happens to them. It's something instead of something that they need to invent and create. So I love that message. What are some of the common mistakes that you see leaders making when it comes to trying to create an invincible company? Are there any major pitfalls that you see happen time and time again?

**Alex** 49:13

Yeah, I think, so. A couple of myths again, you know, when we say innovation, we often think technology is like, oh, same thing. You need technology to innovate? No, you don't. So I like destroying that myth first. Because otherwise we think too much r&d. We just think technology and product. I'll give you a beautiful example. The Nintendo Wii, when they launched it was an inferior technological platform in terms of gaming cart game console, was not as good as the Sony PlayStation two at the time or the Xbox. But here's what they did, right? They served an underserved market casual gamers with a fun product in motion control and simple games tailored to casual gamers. So They were able to disrupt an entire industry with inferior technology. So innovation is just about creating value for customers and your organization. And that may be done with or without technology, but it can even be done with inferior technology. So, innovation based on technology is a small subset of the overall innovation space. That's the first mistake that people focus too much on technology. Think of it banking, FinTech. No, it's about creating value for customers and for your for your organization for your bank may or may not involve technology. The second big mistake is people think, okay, I'm a large company, you know, I make a multi billion dollars in revenues. I need to make big bets to have a big return. That is actually the worst recipe. Vinod Khosla, well known venture capitalist. He likes To say, the more money you give a team this for the startup world, same for corporate ventures, the more money you give a team, the likely they are to not succeed. Why is that? You give companies too much money? What are they going to do? They're going to build something nobody wants. Think of Quibi, I don't even know how to pronounce it.

**Jacob Morgan** 51:19

Oh, yeah.

**Alex** 51:21

They raised \$1.7 billion. Yeah, guess what they did? They built something. Nobody wants.

**Jacob Morgan** 51:27

Yah, I don't think that is gonna.

**Alex** 51:30

Crazy.

**Jacob Morgan** 51:30

Yeah. Imagine that being in existence, that law and they got Katzenberg and Meg Whitman. It, it's unbelievable. And yeah, I can't possibly imagine this company surviving much longer.

**Alex** 51:45

It's not going to so here's the thing, right? They had money, they had talent. But what they didn't have is an entrepreneurial approach and an innovation approach. So in innovation, you actually need to invest like very capitalists starting with small amounts of money first, you only do follow up investments when you see traction. And when you scale when you move into the scaling phase, then the investment get bigger. So you don't give a lot of money upfront, you give a lot of money when the risk has been reduced enough to to really know now we can scale. And that is, you know, talking about the future work in terms of innovation that's becoming a real profession, in companies, where we have different processes, different metrics, different skills, were some team members are going to be focused only on innovation. I like to even call it you know, the paid entrepreneurs, you're on on the payroll of your company, to do only one thing. It's being entrepreneur. And that doesn't mean you know, start with a billion dollars to implement an idea that doesn't work, but actually to be one of those hundreds of entrepreneurs in Israel. company and hopefully you're one of those who get follow up investments, if you don't, doesn't matter because you're getting a salary. So it's a much nicer form of entrepreneurship. Because you don't have you know, Steve Blank likes to call is the gun to your head of the money running out.

**Jacob Morgan** 53:15

And entrepreneurship. I mean, it requires a certain type of person to right. I mean, entrepreneurs are definitely not the typical cog in the company, though the way that they think the way that they act, you know, they're scrappy, they're, I mean, it's it definitely requires a certain type of skill set and mindset to be that that entrepreneur in the company.

**Alex** 53:37

Absolutely, absolutely. And again, you know, sometimes people like to say leaders like to say we don't have that type of person. I believe they do. What they don't have is the environment for these types of people to thrive. So, you know, these people who've tried once or twice and you know, they've just got, you know, it doesn't work, it's career suicide. So they Leave the company, they go to a competitor. And then ultimately, one day, they're going to create their own company. Because there are very few companies, it is changing. That's the good news. A few companies have really, really great innovation systems innovation and entrepreneurial systems. Again, companies are not lacking innovation activities. But what they're lacking is a real innovation engine that produces real results. So a lot of incubators produce zero results. And you know, then they get cut this first thing when the pandemic hits, but that's because they didn't produce results upfront.

**Jacob Morgan** 54:35

Yep. Why don't we only have a couple of minutes left. So I have maybe two questions for you. So first is just kind of to get a sense of your thought process. Because I think this will be relevant for a lot of leaders out there as well. So when a company comes to you with a particular problem, how do you start to approach the problem? Do you have a certain set of steps or a framework that you follow? Before you are able to come up with a solution or a piece of advice.

**Alex** 55:04

Yeah, so one of the big things is we, you know, we try to, and I work on on innovation and growth, right? So we try to assess the innovation readiness. So we look at different areas. So we created this thing that you can download for free on the internet. It's called innovation readiness scorecard. We look at three topics, leadership support, organizational design, and innovation practice. And we assess with the leaders, each one of these three areas and there are three sub points where we look at, you know, how are they working today? Is all of the investment focused on managing the existing executing the existing or do they already think portfolio they actually have a couple of projects going on? And they made many bets rather than one or two big bets, right things like that. Or do they have you know, did they give innovation power organizational design sent an example there that always you know, bringing in examples helps these companies then Ping An a Chinese company that used to be in banking and insurance alone became a technology player, because Peter Ma, the founder said insurance is going to die. And they were going to be disrupted by tech companies. So we hired a lady called Jessica tan, gave her the title of CO CEO. And she, her role was to focus just on creating new growth engine. So in that case, innovation has power, in most cases. So back to the assessment, innovation, the people responsible for innovation report to the person who reports to the person who reports to the person who reports to the business unit, who reports to the CTO who reports to the CEO. If you have that, guess what, all you're going to get is ping pong tables and some kind of you know, innovation room, but you won't get results. So assessing those things. And sorry for me making bad jokes in Switzerland. We're not known for good jokes, right?

**Jacob Morgan** 57:03

So I like all your jokes.

**Alex** 57:05

If we assess those things, we can make a visual kind of image, an assessment, a snapshot that helps leaders understand. The other aspect that goes with the assessment is simply to kill some of those myths and explain how innovation works today. Because and I had to learn this, right? It's not as if I figured this out overnight, I had to look stupid 100 times until I looked smart. One example. I remember interviewing a CEO on stage just trying to figure out and I knew he very smart CEO. I asked him why he would rather go for mergers and acquisitions rather than innovation. And he simply told me, you know, well, you know, mergers and acquisitions, we have a checklist, I hire the lawyers and the stock market my investors and analysts. They know exactly, you know, kind of what the ratio is. So even if I fail with some of these, they're okay with it. It's it's a known problem. Now innovation, that's still a blackbox. I don't know exactly how that works. My shareholders don't exactly how that works. Analysts don't know how this works. So that's the challenge, right? So we need to educate leaders, we're giving them the

assessment, but we also need to help them understand what innovation is about, because these are world class managers. But innovation is about entrepreneurship and less about management. So it's not that they're not smart enough. It's just that they haven't learned enough about how innovation works. So that's kind of the first little bit like a very, you know, a crash course in entrepreneurship, innovation, MBA in an hour, and the assessment and usually looking at Okay, what types of innovation have they done in the past really opens their eyes. Remember the exercise said at the beginning? Put it down. This is a great one. I had to learn this first. I remember and one of the big companies in Southeast Asia, I sat down with the board. I told them write down your favorite innovations. The last mosaic was five years old. So I said on three years, they wrote down five sticky notes. And then I got them to put them on a window in three categories, efficiency, innovation, sustaining innovation, transformative innovation, then they can see the board can see where their innovation effort goes. It all goes in efficiency, innovation. So it opens up their eyes to Wow, we're not actually creating the future. So rather than me telling them what to do, I help them visualize where they are, and then they make a strategic choice. Oh, Alex, look, we're not interested right now. We have enough to do to grow in this in this area, or what is more often the case. Wow, we just realized we thought we're doing innovation, but all we're doing is playing with technology. We're not transforming the company. So you need to rather than convincing people which I think I believe you can't do that. You can open them Eyes by giving them evidence. And then they make the conclusions and they make the decisions.

**Jacob Morgan** 60:05

Yeah, no, I love that. And I one last question for you and it's a little, it's a little out there. So I'm just giving you a warning. But one of the things that I was thinking of when I was reading your book, and you talk about this idea of like a portfolio approach and innovation, I was wondering, Can any of these concepts Do you think could be applied to the individual when they are thinking about their own career? Because I know a lot of employees now are, are getting laid off. They're trying to figure out what they want to do. Some of them are making big changes in their lives and their careers. And it struck me that some of these concepts that you talked about in the book, we can also apply to our own lives as individuals. I don't know if you would agree with that. But I'm also I'm really curious to hear your thoughts.

**Alex** 60:52

Yeah, I like that question, then. Maybe rather than the portfolio approach, I think that the really big topic that applies is this deconomy between exploited and explore, do I continue to focus on what I'm really good at my skills? And I just execute and manage what I have? Or do I want to explore new skills, new job opportunities, new arenas. That is something I think is very important. That's one aspect. And I do believe the situation now is a situation where you need to reflect on Is it time to move on from exploit towards exploring something new. And like in an organization, you know, you can say, Well, I'm going to explore 20%, but 80% is going to be execution. That's one aspect. The other aspect I actually learned with my kids, is some people are more comfortable in the world of exploration. And some people are more comfortable in the world of execution, exploitation. And I think you need to learn what are you most comfortable with? And the reason I mentioning my kids, I did an entrepreneurial project. with them, it's it's a thing called biz for kids comic book. And what I started to learn is, well, you know, some aspects of entrepreneurship my kids like, but some aspects they didn't like they prefer maybe more the execution part. And then I started to think well look in companies, not everybody needs to be

an innovator, not everybody needs to be one of those people who think breakthrough, etc. Because innovation requires people who are world class at one skill and they're really good at it. They're not necessarily t shaped, you know, they don't go that broad, because at the end of the day, success is about teams. Some are much better at being followers and execute, and some are better at being explorers and leaders. And this is not a value judgment, I think both need each other. We tend to sometimes kind of right now these days we overvalue the explorers, but guess what explorers without the right team of executors, it's not gonna work right. So there's no better value judgment there. So I really think figuring out, are you an explorer? Are you more of an executor? That's number one. And then the other one is, well, now is a good time to ask yourself, are you, you know, are you in the right place? Do you want to continue to execute where you are? Or do you want to explore completely new opportunities? Because you know, life is too short to not explore the things you'd like to explore.

**Jacob Morgan** 63:25

I think that's wonderful advice and a perfect way to wrap up. Alex, I even have we got through like a third of the questions that I had for you. That's That's how interesting or interested I was in all these different concepts. So where can people go to learn more about you? Where can they grab your book, you mentioned a couple tools out there that people can download. So anything that you want to mention for people to check out and connect with you please feel free to do so.

**Alex** 63:52

Yeah, we have a freemium tradition at Strategyzer. The company I co founded so you can find All of you can find a quarter of all of our books online for free, so you can have a look at them. They're very visual books. So just go to Strategyzer.com you'll see our books, you can get a quarter of them, whatever you like, you can, you know, buy it afterwards, you can sign up to our online courses, we give away a lot for free because for us what's most important is do Can we really have an impact and help people do better work? So go and get our free stuff? If you're interested in more, there's always more to get. And you know, tell us also, what are you missing from us and give us feedback. So we're always open for that.

**Jacob Morgan** 64:37

Thank you, thank you very much. I mean, I had a chance to read the book. I love the visuals in there and the design, it's very, very creative and easy to read. So I appreciate you taking time out of your day. We even went over the typical hour. So I really appreciate you sharing your insights.

**Alex** 64:54

Thanks for the awesome questions, Jacob, keep up the good works great stuff that you're doing.

**Jacob Morgan** 64:59

Thank you I really appreciate it. And thank you everyone again for tuning in. My guest has been Alex Osterwalder. He's the author of the brand new book, which I highly recommend you check out. It's called The invincible Company. And he's also super easy to find on social media. If you Google him, you'll find his company. You'll find his LinkedIn articles by him and all sorts of good stuff. And again, remember if you enjoyed the show, please remember to give me a review on Apple podcasts or you can follow the show on Spotify as well. And I will see all of you next week.