

Rethinking Corporate Strategy with Charles Conn

00:00

Hey, it's Jacob. And I am so excited and thrilled to announce that my brand new book leading with vulnerability is now officially available for preorder, you can head over to lead with vulnerability.com. to preorder your copy. It's based on 100 CEO interviews and a survey of 14,000 employees around the world. This book was so hard for me to write that a few weeks after signing the contract for the book, I had a panic attack. That just gives you a sense of what I had to put into this book. To make it a reality. My family comes from the former USSR. Even though my mom tried to be emotionally vulnerable, I grew up emulating my dad who is not vulnerable at all. So being confronted with writing about something that is very foreign to me, made me have a panic attack. I share more about that in the book itself. Interestingly enough, some of the CEOs that I interviewed also shared that they had panic attacks to interviewed 100 CEOs surveyed 14,000 employees around the world. And I started off with a simple and basic question is vulnerability for leaders, the same as it is for every buddy else? And the answer to that question is a resounding no. Leaders should not be vulnerable, they should lead with vulnerability. But what does that mean? And how do you do it the right way to find out, head over to lead with vulnerability.com, you can preorder your copy. And if you preorder a hardcover copy, you're gonna get access to some really cool bonuses, including couple exclusive CEO interviews, you're going to get access to advanced sneak peek of the book, a couple chapters, and you will be invited to an exclusive and private webinar that I'm going to be hosting, sharing some of the concepts and themes from the book before anybody else gets it again, go to lead with vulnerability.com. When you're developing strategy in the world, especially today, you need to bring other people along, you need to convince them that your vision of both objective and path makes sense. My guest today is Charles Kahn, Patagonia board chair, CEO of monograph capital, which is a life science venture firm. He's also the former CEO of Oxford sciences, and the founding CEO of Ticketmaster City Search. On top of all that he has a new book out which I had a chance to take a look at which is called in perfectionist strategic mindsets for uncertain times. How do you think about strategy strategy is dynamic problem solving, which may be exactly what you said in slightly different words, to have a strategy, you have to have a strategic objective, you have to have a set of steps that you believe will move you toward that objective, and you have to have a corporate process that would allow you to execute that strategy.

02:55

Charles, thank you for joining me.

02:58

Take it it's a real pleasure to be here. Thanks for having me. Let's start with a little bit of background information for people who might not be familiar with you and some of the work that you've done. And then maybe on top of that, you can give a little bit of context around why you decided to write this book.

03:13

Sure, so

03:16

where to start? You know, I, I'm a daily practitioner of strategic problem solving as chair of Patagonia, and in the companies that I invest in, which are mostly small Life Sciences and Health Tech companies. But I also work with the Nature Conservancy, and I'm on their board in Europe, where we're trying to solve, you know, the giant problems of the planet, as well as the smaller problems of country by country. So I've, I've, I have a life that's involved in strategic problem solving. And it really has always been my calling for more than 30 years. And you weren't McKinsey for a while as well, right? Yeah, that's right. Kind of got my head, my beginning at McKinsey and I met my co author Rob McLean, earlier, and thought a lot about kind of strategy, the way we used to think about strategy 30 years ago. And it's partly that that grounding the have Robin me, right, well, we think is quite a different book and approach and strategy. When you talk about strategy, how do you explain what strategy is because, you know, for me, for example, I play a lot of chess. And so the way that I think about strategy, which very much applies to the realm of business, is kind of, you know, planning in a series of strategic decisions that you make that ultimately let you move towards the goal that you were trying to achieve, which in the game of chess is checkmate winning pieces, things of that nature. And so that's, that's kind of how I formulate it, right. It's just kind of a series of decisions that you take over time. Yeah. How do you think about strategy would you say that that's a good way to

04:55

I like your definition a lot. My definition is pretty close to

05:00

That which is strategy is dynamic problem solving, which may, which may be exactly what you said in slightly different words, I think we used to think about strategy. And, and we were all taught to think about strategy and an older model, you know, which which Michael Porter summarized well, but which came out academic economics work, which has us look at the structure of an industry, the players in the industry, and then to deduce the likely conduct in the industry. And that was also true in a lot of the structured game theory of the 1940s and 1950s. And I think that kind of thinking about corporate strategy in the business world doesn't really work very well.

05:44

So,

05:45

how can people and I know this might sound like a weird question, but how do you know if you have a strategy or not? Like how do you know if you're just making individual atomized decisions that are not connected to each with each other? How do you know if you have like, a core strategy in place? Are there certain elements or components that are required in order to say, hey, I have a strategy of how I'm going to approach this? Or is it different case by case and problem by problem?

06:15

No, I actually think that's a really good question. And I think, you know, sometimes historically, people have contrasted strategy and tactic. Yeah. And that may be that may be an informative way of thinking about this. I, you know, you see lots of companies that don't have strategies, what they'll say is we have a strategy, we're going to grow our market share by 15%. Well, that's not, that's not a strategy. That's an objective. And that's not even a very interesting objective. Right. And simply doing what you've done before, in order to grow your market share, is precisely why so many companies end up in trouble and disrupted,

06:52

to have a strategy, you have to have a strategic objective, you have to have a set of steps that you believe will move you toward that objective, and you have to have a corporate process that would allow you to execute that strategy. I think, strategies, I was gonna say, I think that corporate process pieces is really interesting. So maybe after you finish your thought we can jump back to that corporate process.

07:15

Yeah, well, I was gonna say is that, you know, I think Mike Tyson is famous for saying, you know, strategy ends, when someone punches you, everyone has a plan until they get punched in the mouth. Right, which is, you know, a pair of paraphrasing a, a Gen 250 years ago who said something very similar.

07:34

Obviously, strategy has to be responsive. And when you think about game theory, you're always thinking about what will the other actor do, and therefore, strategy and tactics actually have to go together. But if you're merely reacting to the other player, you don't have a strategy.

07:53

It's funny, it's so analogous to the game of chess, I was just like, everybody out there played chess, because everything would make so much more sense in terms of tactics and tactics and strategy were strategies, kind of the overall plan that you have for the game, whereas the tactics are like the little one, two, maybe three move combinations that you try to put into place, you know, in the shorter term, as opposed to the longer term. So it makes complete parallel. What is wrong with the way most companies approach strategy now, because I think a lot of people would know. And remember that. Corporations used to have 510 year strategies, you know, sometimes even 1520 years out in the future. And that used to be very common, right? You'd get a lot of executives, a lot of leaders together, and maybe a facilitator. And you would start to brainstorm and come up with where we want to be in five years and 10 years. And today, it seems like that's all but an exercise and creativity, because by the time you're even done creating that strategy, you see something new, is introduced, whether it's technology, whether it's AI, whether it's something geopolitical, it, just things are moving so quickly. Why is that long term approach to strategy?

09:05

Not not effective anymore? And what is the maximum length that you would advise an organization to like, look out into the future?

09:13

Yeah, that's a great set of questions. I mean, I guess what I would say is, I think it's perfectly fine to have long term objectives. And a company like Patagonia has had a very common set of objectives over the course of 50 years.

09:29

And you could express that saying, you know, we want to make the best gear, we want to do the least harm. And we want to use the the the power of business in order to create change. And that kind of a long term set of goals is something you can imagine being relatively evergreen, but how you achieve those goals needs to change. And in a world that's changing and you describe some of the factors have changed when you have programmable biology, automate.

10:00

Asian robotics, artificial intelligence. Now learning models, when we have pandemic when we have war, the stability that allowed us to have those conversations that we had 20 and 30 years ago, is gone. So that kind of idea that there's a stable industry structure and a set of players inside that structure, and that they will behave in a particular way. All of that is out the window and the world we live in today. And you think about the rise of a super competitors, like Apple, or Amazon, or Google or Microsoft, the people who disrupt you and your business, whether you're making, you know, you know, new gene therapies, or you're making jeans, is unlikely to be someone who is an existing competitor from inside your industry, more than ever has been true before. So that idea that there's some kind of stable industry structure, and there's a stable set of players, and we can say something about how they're going to behave, none of those assumptions hold true. We can still look at long term goals, like when Amazon wanted to be in consumer financial services. That was a goal that they started as early as, say 2006 or 2007. And not one that they probably have stopped achieving now and 2023. But how they did it has changed a lot along the way. And that idea that we could somehow plan out 30 moves ahead. doesn't work very well. Yep. Couldn't agree more. So if you're not planning 30 moves ahead, how many moves ahead? Are you planning because I like the concept of Kevin kind of like a vision of where you want to go. But if you're actually sitting together, and you know, your leadership team and coming up with a strategic plan, how does that plan? If you have a vision 10 years out in the future, obviously, you're not going to have a strategy that's going to map out everything that you do for the next 10 years? Or I don't know, maybe you will. But how, how long of a strategy timeline should you have leading up to those long term goals?

12:05

Yeah, well, so my sense is, first of all, that we shouldn't run a single strategy strand. Just like in you know, in a chess game, you have to make a move, yes, but you probably have five or six different strands of the game, depending on what your competitor does, yes. So I think we should be running two or three or four sets of strategic moves at any moment in time, I think we should accept and understand that a number of those moves are going to fail. And that doesn't mean you're a failure. And as long as you learn something from each strategic move, and maybe build your capabilities and asset positions, there's nothing that's a failure about that. And I like the idea that we push strategy closer to the frontline of organizations, rather than this sort of boffin sitting, you know, back in some corporate

office somewhere who doesn't really know what customers are thinking or what competitors are thinking. So I would like to think of two or three strategic strands and imagining probably three or four moves out, maybe five moves out, you're a chess player, how many moves ahead? Can you reasonably think, taking into account that each move will be countered by your opposition? What depends if it's like a forced series of moves, right? So for example, sometimes on the chess board, there might be like a force checkmate in four, or five or six. So the interesting thing that I find, and I suppose this could be relevant to the business world, so I have a chess coach that I work with. And oftentimes, if there is a forced mate, let's say it's even in six, and he'll push me on and he'll say, okay, calculate up to here. Okay, now calculate one, move further. Now calculate one move further, if I'm forced and pushed into calculating further I can, but usually, I stop. And the Cesco that I work with would say, Well, why did you stop, like, go on move further, and then I'll give him one more move. And he'll say, Okay, now go one move further, like find the mate. And I think it's very applicable to the business world, because sometimes when we are forced into a position, we can tend to make betters, like, it's easier to make the strategic business decisions because they're forced, like you don't have another option. Whereas when we have lots of options, obviously, you can't see that far ahead. And you can only do maybe like two, three moves. So yeah. And maybe that's why legacy businesses are so liable to be disrupted. Right? Because they stasis is actually a choice. Yep. So in chess, you have to keep going. And you probably play chess where you tap a time when you have to play against timer. In Legacy businesses, especially those that have wonderful existing lines of business. They often get people often get paralyzed. They can't see three moves ahead. They get panicked when they start thinking about new entrants, and so they freeze and I think the world we've just been through with pandemic and war and now the all the overlays of new learning large

15:00

Large learning models. Many people with legacy businesses have just stopped and said, I'm going to wait until things stabilize, guess what? They're not going to stabilize? Right? Imagine if the rules of tests were were changing as you were playing, it would make it quite tough.

15:18

Yeah. And I suppose that if you were to look back a decade or two or three decades ago, it used to be more forced moves, like, you didn't have as much variety and option because things were relatively static and stagnant. And you've had a pretty good sense of what was going to happen over the next few years. But now, there's so much variety, that it's very hard, because you're constantly being put in front of like new positions, new scenarios, and you're confronted with so many things, that it's hard to have that kind of long term calculation.

15:49

Right. So think about gasoline retailing, you know, 40 years ago, what were the choices that they what were the choices that an individual gas station faced, what race, race price or lower price, and they would do that in reference to a competitor that was usually within a visibility within within eyeshot of where they were, hey, and then sometime in the 1980s, people started competing in gas stations based on mini marts that were attached to the gas stations. And then they might be competing not only on the gas price, but the price of a gallon of milk. And then think about what competition looks like in petroleum retailing today. Right? Where there's electric cars and people actually choosing to work from

home. So I think the layers of of what it takes to be competitively differentiated, are just vastly more complicated. I mean, it makes them more fun and more dynamic as well. I wanted to go back to something you mentioned a few minutes ago, and you were alluding to this idea that obviously Patagonia is trying to make positive change in the world. And there's been this kind of big debate on the role that businesses play when it comes to things like social causes or fighting for justice is or should a business just be a business? And you see a lot of different examples of what happened with companies like Target or Bud Light, or Starbucks went through things years ago. What role do you think a business plays in the realm of social causes, right? Because some people might say, hey, you know what, I just want to go to Patagonia to buy a jacket, like, I don't care about the social causes. I don't care about all the other stuff that you're doing. Don't tell me about climate change, just give me my jacket, and I want to get the hell out of there. And then there are other companies who say, you know, what, we believe that we're supposed to be taking a stance on causes that we believe in. And so it's a very difficult dynamic. I mean, it's part of this chess game that companies are trying to figure out.

17:40

Yeah, and I don't think there's one answer, I don't think there needs to be one answer. But at Patagonian me personally, are very much opposed to, you know, the view that was crystallized so well by Milton Friedman, in his 1970 article that was actually appeared in The New York Times of all places, which said that the only legitimate purpose of business is to seek profit. Yep. And we don't we don't agree with that at all, you know, companies are embedded in the communities in which they operate. And companies should have purposes. And those purposes are, you know, should be understood by their, by their customers. And those make better businesses. Yeah, right. Whether whether you, like Patagonia, or you like Chick fil A, those are two businesses that stand for something. And the customers know what they stand for. And so you know, we started off talking about strategic objectives, Patagonia, strategic objectives, are deeply rooted in our values as a company, and the way we want to show up in the world and what we stand for, with regard to climate change our employees and the communities in which we operate. I think it makes us strategically stronger, to be grounded in that way. Yeah, I was actually just looking up this quote that I remembered, and it was also it was from 1979, and it was a Quaker Oats president at the time, Kenneth Mason, I don't know if you're familiar with the quote that that he provided. But he said that making a profit is no more the purpose of a corporation and getting enough to eat is the purpose of life, getting enough to eat his requirement for life, but life's purpose, one would hope is somewhat broader and more challenging, likewise with business and profit. And I thought it was a great quote that kind of countered the, the Milton, Milton Friedman point that

19:25

there's so many organizations have been following over the years.

19:28

Yeah, I mean, you know, Jack Welch and GE, were famous for it. And look where GE is. Oh, yeah.

19:34

You know, I think he didn't pay attention to his staff. He didn't care about the communities in which he operated and ultimately, those businesses

19:42

didn't thrive and succeed. So, you know, for me, the Milton Friedman view requires believing that there aren't any externality else. We know that isn't true. You know, as businesses we actually have a responsibility. You know, and maybe this is where profit and purpose actually have to come

20:00

together, if you think about it as 100 year game, they must come together. Because as David Brower said, You can't do business on a dead planet. I think the challenge for a lot of consumers and also for businesses is to know which organizations are genuine in the things that they are pursuing, versus what are the pursuits that organizations are going after, for the sake of I guess you could call it virtual virtue signaling. And there are some brands like Patagonia, which have had, you know, many, many years long commitment to something like climate change. And then on the flip side of that, you see some organizations that just pop up out of nowhere and just say, we're supporting this, we're supporting that. And it tends to be kind of like, the trend that that they're going after, which I think is challenging. And you You alluded to a point, which is

20:47

the kind of letting customers know what you stand for. And that, to me has been a big challenge for organizations, because the fear has always been, as you know, you play in the gray area, that way you don't upset anybody is that yeah, we're not going to talk about it. We're a little bit here, a little bit there. But the big fear now, for I think a lot of leaders shouldn't be that you're gonna upset customers or employees, it's that your customers or your employees don't know what you stand for to begin with. And that, to me is a far bigger problem than you upsetting somebody. And so I think we're seeing more of this, taking a stance and letting people know what we believe. And it's okay, if you disagree with me, we can be you know, we can disagree in a respectful way. But this is kind of what our organization stands for.

21:31

I couldn't agree more. I mean, you know, that's a beautiful encapsulation of what we've

21:35

gotten. And you know, frankly, I think that's a, the most profound business strategy says, Here's what we stand for. Yeah. And what do you do if you say you stand for something and people disagree? You can bring out target or Bud Light, right? Two very famous examples that have happened lately. And, you know, they came out, they said that they stand for, you know, various social causes, and they had some severe backlash. What do you do in those situations where what you say you stand for, alienates customers, or goes against what the company has done for so many years? And you do see such a backlash? Do you pull back? I mean, like, if you were advising target, and Bud Light, and those organizations, how would you approach the difficult situations that they now find themselves in?

22:25

Yeah, I know, you know, I think, you know, there's, there's obvious, obviously, two answers. One is, you know, back up and say you didn't mean it, or lean into it, because, yeah, exactly. You can probably imagine which one I would face,

22:40

which is the second of those, and to accept that you won't please everybody all the time. And that most people will actually respect you. If you if you stand for something. You know, when you were alive in the 1980s, you might have liked Ronald Reagan, or you might not have liked Ronald Reagan, but you knew what he stood for. Yeah. And I, you know, those do look like miscalculations to me that you know, that they didn't spend enough time with their customers making clear what their values were,

23:10

you know, you know, what Chick fil A stands for? They're very clear. Yes. And, you know, I have many friends who don't believe in those values. And they still will go in and eat the sandwich, because it's a good sandwich. And I have other friends who say, You know what, I don't need the sandwich that yeah, that's fair. That's fair. Right? Yeah. Yeah, no, that makes sense. So getting back to some of the original concepts that we were talking about, well, I guess just kind of wrap this up, it seems like the important thing is,

23:38

first, calculate properly. And this goes to the theme of strategy, right? If you are going to stand up for a social cause, or fight for something. And I wrote an article about this a few weeks ago, where I gave a little bit of a framework for how companies should be thinking about this, where you look at, you know, the values of the organization, you look at the customers, you look at having a crisis plan, you look at the long term and short term impact that this could have to your brand. And you have to think about and evaluate these things before you come out and you know, jump into something. And I think the challenge is a lot of organizations are not doing that. And to your point, it seems like you do have two options. If you do get involved in something one is you backpedal and say we didn't mean it. Or the other one is you double down and say, hey, you know, this is the direction of our company, and this is what we should do. So I like the way I think that gives people a very clear direction on on the options that they have.

24:31

Of the two things I think that you talked about in the book as far as like, you know, opposing sides. One is sometimes organizations can take too long to make a choice. And sometimes organizations can make a choice too quickly. And we of course, have seen lots of examples of those companies taking too long you get the you know, the blockbusters of the world.

24:55

Companies jumping in too quickly, you see some of what's happening in today's call

25:00

I met with some of the businesses out there.

25:02

How do you find that balance? Like, how do you know that I'm at that sweet spot? Have I waited long enough? But not too long?

25:14

Yeah, I think that's a hard question to answer. And it probably differs for different types of businesses. You know, if you're making something that's quickly produced and quickly consumed, you probably can make changes very quickly at the edge. And if you're making, you know, something like an automobile, which, you know, people are gonna you hope people will own for 10 years. You can't make decisions that are, you know, only as fresh as today's lettuce. Yeah. Right. So there's probably not a one size fits all to that. One thing I will say back to your example with though, which is you know, when you wake when you wake up in the morning, Jacob, do you say to yourself, today, I'm today today, I think I'll believe in integrity.

25:56

Know, you're gonna, you wake up every day and believe in integrity, right. And so I think there's some choices that people position as if they were a choice, that really shouldn't be nice. Yeah, I like that. So let's spend the next 1015 minutes or so looking at what your six strategy mindsets are, we kind of do a little overview of each one. And then the last 1520 minutes or so of the show, we can dive into some action items for how leaders can practice and bring these mindsets into their organization. And I love the mindsets that you have. They're actually very similar to the mindsets that I found, in my previous book, The future leader, when I interviewed 140, CEOs, a lot of these mindsets popped up there, too. So I was I was glad to see them. So the first one you have is curiosity. So what is I think, conceptually, a lot of people know what curiosity is, is a mindset. But how do you think about it from a business context and leadership context?

26:51

Yeah, so for me curiosity, is that, you know, is an instinct that we all had when we were children, right? Where we didn't, we didn't have good pattern recognition engines as children. And so when we encountered something new in the world, we asked, why, or how, or what, when, you know, the obvious the obvious, why, why when questions. And as we get older, we start to find successful patterns. So the first time you look at two shoelaces, you have no idea. And then the 30 of time, when you tie a bow, that becomes your pattern recognition for what to do with a shoelace. That's great. But what happens is, as you become as you move from being a pattern seeker to being a pattern recognizer, you become a pattern imposer. And then you stop asking good questions about the world. So you every situation you look at, you immediately are imposing a past success.

27:50

That's great when nothing's changing. So for most of human history, when people did agriculture, and they got eaten by wild creatures, those were those are pretty good memes for them to pay attention to rustling in the bushes run, right?

28:06

And I think the problem is in the world we live in today, which is changing so quickly. And there's so many rich choices, imposing past patterns of success is not a winning strategy. And going back to that childlike curiosity, where you ask the question, Am Am I seeing this clearly?

28:27

Instead of immediately imposing a pattern, asking, Is this actually a new pattern? Is this something I've seen before trying to return to that place? You know, we use an example in the book that I love, which is

28:40

Edwin Land was, you know, an incredible inventor. And he was walking around Santa Fe one day with his daughter, Jennifer.

28:48

And he was taking pictures with his conventional film camera at the time. And his daughter, Jennifer looked up at him and said, Daddy, can I see the picture? She grabbed his arm. And he kneeled down, he explained to her, Well, no, you know, this is this film as a chemical emulsion, and we're exposing light to it. And then we take it to the drugstore, and the drugstore, sends it to a lab. And then two weeks later, and he stopped himself. And he said, Why does it have to be that way? Even though he was an adult, and even though he was

29:21

a incredibly talented chemist and inventor, he stopped and asked that curious question, or answered Jennifer's curious question with his own question. I wonder if I could do that, though. And by the end of the day, he worked out instant photography. And I think it's a rare, successful person who can retain curiosity, love that. And when it is a beautiful thing. I mean, you meet people that you think about someone like David Attenborough. Why do we love David Attenborough so much? Because he's still this excited and curious about the world that he's encountering at age 90. Now it's a good day.

30:00

A good story. I love that story. Alright, so the second one, you have dragon fly. And when I heard this one, I immediately thought of, I don't know if familiar with this concept of a cone of possibilities, it's a framework, you probably come across at McKinsey and use it quite a bit. So when I was getting my certification, in foresight at the University of Houston, they taught this concept of the cone of possibilities, which is basically for people not familiar with this idea where you look at different scenarios and possibilities over a series of time horizons, and not to come back to chess again.

30:32

There's so many like chess undertones in here, it's crazy. But it's very much related to chess, right? To your point that you made earlier, you don't just take one move and make the one move, you try to think in terms of these scenarios and possibilities. Right. So that's what I immediately thought of, but I loved the the drag in the fly visual that you had in there. So maybe you could talk a little bit about that mindset.

30:53

Yeah, so you know, this is an analogy, obviously, we don't really know how the insect sees what we do know, it has 30,000 lenses on these two compound eyes. And it has three simple eyes that are arrayed

further back. We also have pretty good evidence that they see spectrum of colors, and, and movement that are just vastly beyond what humans can see. So it's kind of an interesting analogy.

31:17

What we're encouraging people to do, which is sort of a step beyond that assister to curiosity is before you jump into a particular solution set to try and see the problem from a variety of perspectives. So I'll grab chess again. I mean, you never make a chess move. Without thinking, well, what would the other party do if they were faced with that chess move? And then you're you're forced then to say, well, what would I do in response to what they would do? And you know, that's, of course, are better chess players can do that more often. When we're in business, or we're in nonprofits, the very least you can do is to imagine what your service or product looks like, to the consumer, instead of just thinking about what it means to produce from your side. But maybe you should also think about a potential consumer. What does it look like your competitor? Does this look like? A fat easy duck to your competitor? Does it look like it'd be something hard to do? What about an incipient competitor? You know, it Amazon seems to turn it's you know, Sauron like AI to different businesses. Now it's looking at healthcare. If you're in health care, you shouldn't just imagine what another hospital would do. But how would Amazon think about this, right? What would Andy Jassy be thinking?

32:36

In a business like Patagonia, we're constantly thinking about our suppliers. You know, we work with chemists who develop new fabrics, how would they see this particular innovation? Yeah. And I think you can, this, this cone of possibilities is just such a relevant way of

32:55

positioning yourself outside of yourself. It's literally the hat. Right? Before you start making, especially irreversible strategic moves.

33:07

Remember to grab your copy of leading with vulnerability. Here's what Seth Godin had to say about the book. This is a well researched, compelling book about something we spend far too little time thinking about being human, it works. So preorder your copy at [lead with vulnerability.com](http://leadwithvulnerability.com). If you get a hardcover copy, you're gonna get access to some really cool bonuses. Again, all the details and instructions are at [lead with vulnerability.com](http://leadwithvulnerability.com).

33:34

Why do you think vulnerability is important? Everything you do is built on the foundation of relationships, showing a bit of who you are, is a good thing. Because anytime that people feel that they are interacting with the real person, that is builds trust, people need to see through your actions, that what you do is genuine, and that it comes from a place that is genuine and authentic and not made up for thought about being open. And being vulnerable is important in that context of building a relationship. If it doesn't serve to build a relationship, then you wonder what is the purpose right.

34:17

I love that the visual of the dragonfly there and just kind of seeing those different lenses. Yeah, and I also liked that you mentioned Amazon as the the Eye of Sauron there because yeah, I mean, there I if I was in an industry and Amazon that had its eyes set on me, I would be terrified. Because when you have that much in terms of resources and capital, and you know that Amazon is coming after you it's a little scary.

34:41

Yeah, it is. So let's jump to the next one. So a current behavior.

34:45

Yeah, what is that one? So it's, it's a funny term, right? We kind of like it because it makes you stop and think a current behavior is what actually happens, not what you hope will happen or what you think will happen and

35:00

And we use the term to underscore the importance of doing your own experimentation. Rather than relying on data. When I was a management consultant, back in the 1980s, the first thing we do when we got a new assignment was to see if there was an existing data set that we could buy. And I think that way of thinking, because if there is an existing data set, everyone else is bought it to. And they've already been through it, and they've already thought about it. So we like to start every strategic problem by asking is there so as we imagine the different potential moves we could make, can we test those moves with relatively low cost relatively reversible experiments. And,

35:44

you know, the the, the world of the internet has given us this hyper experimentation mentality. But many people think that it only pertains to the internet. So a b testing or ABC testing has become commonplace, but people assume it only means that you can, that an E commerce company can try three different interfaces and see which one sells more widgets. But this idea of finding experiments or developing experiments should be much broader than right during the pandemic. You It's not ethical to experiment by trying two different strategies with two different you know, with with the same people. But we could look at two different jurisdictions, whether they were states or countries next door to each other, that were otherwise demographically similar. And notice strategy a produce this result in strategy, we produce this result. For example, in the book, we compare Sweden and Norway's approach to the pandemic. But it is also true that even in very heavy industries, you can do experimentation. And my favorite example here, whether you like Elon Musk or not, his SpaceX, you know, when you look at the ultimate heavy industry, or NASA has spent 75 years, spending billions and billions of dollars sending people and payloads into space, along comes this startup upstart. And goes from what NASA was doing three or four experiments a year to between 20 and 30 experiments a year. And while they're doing that, they're testing a whole bunch of new technologies like 3d printing of rocket parts, and using nets to catch expensive nose cones, you don't lose them are taking ideas from the automotive industry heat shielding, and see if you could apply those in, in a spaceship.

37:32

And very importantly, understanding and accepting that some of these experiments will end in failure. The most recent large rocket, I think the description was an unplanned disassembly.

37:47

Assembly, I love it.

37:49

The thing failed. But they knew they knew in advance that there was a significant chance that would fail, but there were 20 separate innovations that they were testing with that launch. And that was worth it to them. The sum of all that is that SpaceX has decreased the cost of sending a kilogram into space by 95%. Wow. I mean, that's insane. Yeah. Right. Like if someone had told you, in 2000, the year 2000, that you can take 95% of the costs out of sending a kilogram into space, after NASA had been doing it. Since the 1950s, you would say that's impossible. And that's an experimentalist, or in perfectionist approach to developing new ideas for strategy, new information for strategy. I mean, you can even look at the cost of storage today, right? I mean, I remember a decade or two decades ago, how much it would cost to just store like a couple megabytes on a SD card. Now, it's virtually free, you look at something like chat GPT also virtually free. And the types of things that you can do with it are just kind of is just mind boggling to say the least, like if somebody were to tell me even a couple of years ago that hey, you know, you could just use this AI bot that's going to write better than most writers out there and do all these nebulae, you're nuts, you know, save 1000s of dollars for everybody? A year for small businesses. It's crazy.

39:21

Right? You can also say like, some things are just guided by the laws of physics. And I think, you know, people have said, you know, Moore's Law starts to break down. But then then people use new materials to engineer around whatever those old laws were. And I think we're seeing that with battery technology right now. Yes, maybe you know, maybe the nickel ion type batteries will reach some physical block on improved performance, but then a new set of materials are already coming.

39:54

Okay, so we have three left collective wisdom in perfectionism and to show Intel so let's jump to collective with

40:00

And we can do each one quickly. And then we'll jump to the action items. And we'll do it super quickly. So look, collective wisdom is the ultimate who humility. And we think that that's really important for in perfectionist. And that is to say, and you know this is stealing a line from Bill Joy, the famous founder of Sun Microsystems before that at Berkeley, which is, hey, the smartest people probably don't work in your company.

40:24

Right? And Bill Joy, instead of saying Damn, he said, How can I get them laboring in my garden.

40:30

And, you know, he was part of that open source software movement that created Unix and, and that idea of coming together with incredible talent from outside shouldn't be just something that we do with open source software. And in the world we live in today where we have crowdsourcing platforms and competition platforms like Kaggle.

40:55

Organising organizations can try to do things that are well outside their own capabilities by offering small rewards for other talented people to help them crack their problems. So super fast, but the Nature Conservancy is not a artificial intelligence organization. But they use the Kaggle competition to create a AI driven computer vision approach to

41:20

not catching endangered fish species aboard boats. So taking video photography, the algorithm looks for gill plate structure and fin structure. So they can quickly say, that's an endangered tuna, please put that over the side. Right, a perfect example of an organization that outsourced an incredibly important bit of capability so that it could achieve its mission, which is conserving the world's fish species. Right. And with artificial intelligence, there's a million new ideas about ways we can access the the broader collective wisdom and intelligence that doesn't exist within ourselves. Yeah, I like that. And I think that's been talked about for a little while to but not practiced. Well, especially with technology, it's so easy to tap into the collective intelligence and wisdom of so many people.

42:15

Let's jump to the next one, which is my favorite one in perfectionism, something that I think a lot of people struggle with, I sometimes struggle with this as well. So what exactly is perfectionism? Why is it so crucial of a mindset for us to embrace?

42:29

Yeah, and it's sort of you know, it's an individual mindset. But it's also the kind of idea that binds all these things together, which is, when you're faced with radical change, and uncertainty, you can freeze, or you can leap before you look. Or you can intelligently lean into that risk by doing some of the things we've already talked about. But most importantly, you can identify steps that you can take, that are relatively modest, can cost and that are reversible. And you can run two or three of those things at the same time, so that you gather information, you build intelligence about the game that's being played. And you often add capabilities and assets to your quiver, so that you can actually move toward your strategic objectives, like a staircase, but yes, a staircase where some of the stairs are out. And that's where I usually like to run two or three strategies. We started off by talking about Amazon. And I think it's a wonderful exemplar of a company that has very clear strategic objectives, but which is a classic and perfectionist when it comes to actually executing strategy. Now,

43:41

as they were entering consumer finance, they bought a little company, they invested in another little company that hired a team from a failed FinTech, they started their own competitor to square.

43:53

All of those moves failed on the face of them. But each of those initiatives were shut down. But they didn't fail because each of those moves helped Amazon build the capabilities and confidence to the point where they now have a 24 to 24% payment share across the E commerce economy in the United States. So they leaned into risk. And they learned as they built, essentially their bootstrapping to use an old fashioned term.

44:25

Alright, we have one last one, which is show and tell.

44:30

Yeah, so look, when you're developing strategy in the world, especially today, you need to bring other people along, right, you need to convince them that your vision of both objective and path makes sense. And what we wanted to encourage people here is to have a mindset that's much more playful than the kind of PowerPoint mindset and to remember that when you're convincing people that that what you want to do make sense. You are

45:00

actually need to speak not only to what's between their ears, but what's in their hearts. And we encourage people here to think of themselves as visual storytellers, not just as PowerPoint producers.

45:13

So, you know, the one example that comes to mind is one, we're also with the Nature Conservancy where Rob, my co author was involved in a pitch to a big philanthropic organization. And what they did, instead of having a bunch of PowerPoints was they had 17, green plastic buckets in a pyramid and the back credenza of the of the room that they were presenting, all the executives from the

45:41

foundation filed in and the first thing they were said was, what are the buckets about

45:46

it grabbed their attention. And what they were talking about that day was using

45:53

shellfish reefs, to clean estuary water, which is subject to all kinds of runoff, especially fertilizer runoff. And the point of the buckets is each single oyster in an oyster reef, filters, 170 litres a day, seven to 10 liter buckets, right. And that visual, created a dynamic in the room, that was 1000 times better than a set of details. And it spoke to people's hearts as well as, as well as their minds. And they got the support. And I guess we were encouraging folks in this topsy turvy world where people don't trust what other people are saying now is to think about how you speak in, you know, there. This is famously called speaking to frame Yeah,

46:41

is to think about how we can speak to people's values, not just to their logic, got it. Um, okay, so for the last 15 minutes or so, in a segment, I like to call the leaders toolkit, I thought we could look at some

action items related to these six strategy mindsets. And if we have time, I have maybe one or two more questions for you. But how can we start to bring this inside of our organizations? So maybe we can go through these six again and talk about how do we implement things like curiosity or dragon fly? So let's start with curiosity, how do we bring that mindset into our organizations or even practice it as individual leaders?

47:18

All right, everybody, my conversation with Charles continues only for its subscribers on substack. That's great. [leadership.substack.com](https://greatleadership.substack.com). And in our continued conversation, Charles is actually going to give specific action items that you can implement things that you can actually practice in order to master these six strategy mindsets that he talks about. So in our conversation, we talked about what they are, but how do you actually practice them? How do you bring them to life inside of your organization? If you want to find out, head over to [great leadership.substack.com](https://greatleadership.substack.com) And you can subscribe over there. I promise it's discussion, you are not going to want to miss an all of my best content. All the latest thinking is now being held on substack including these bonus interviews, articles that I write five minute leadership hacks that we send out every week. So again, [great leadership.substack.com](https://greatleadership.substack.com) I hope to see you there.