



INNOVATION AND CHANGE

INNOVATION AND LEADERSHIP IN THE NEW NORMAL

A FUNDAMENTAL SHIFT IN HOW
ORGANIZATIONS NEED TO CREATE
INNOVATION AND PRACTICE LEADERSHIP
IS ON THE WAY.



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Many executives wonder about a fundamental question: how to get ready for the “new normal”? More specifically, what will markets look like when the first wave of the COVID-19 pandemic recedes and how will products, services and operations be redesigned to address potential structural shifts?

The starting line for rethinking how we operate is getting close. Those who get ready now will start with on the right foot. Those who wait will look like dinosaurs from an old era (though in reality that era was just a few months earlier).

In this analysis we show that, whatever the future looks like, the new normal will require a fundamental change in the way we create innovation and lead our organizations. Whereas the innovation mantra of the pre-COVID era was to “disrupt competitors”, this is not really the moment to disrupt. This is rather the moment to collectively re-build a new economy and a new world. The real heroes, in business and society, will not be the disruptors; they will be catalysts who foster a cooperative mindset. This, in the context of innovation, means to share data and learning outcomes from the experiments everyone conducts. Organizations will need to try different competing ideas, but they will also benefit from sharing insights, in order to avoid unpromising avenues, improve collective productivity, and rapidly build a new society. COVID-19 is the moment of truth for leaders: an opportunity when they can exhibit their true orientation and lead organizations with purpose and meaning.

A shift we have never experienced

Magazines, futurists, consultants, organizations, everyone is trying to picture what the future will look like as people open up their doors to a new normal life. And everyone agrees on two things. First, the world will look different than before. Second, this transformation will not be temporary. Even when COVID-19 is fully defeated (and hopefully it will be), our attitude towards socialization, our openness towards the world, our need for health (and anxiety for new infections) will be radically

different for the worse, but also for the better.

Yet, as we move forward and try to get into the details of how future life will appear as well as how markets and operations will work, the real challenge emerges. The future we are facing is so unprecedented, disproportionate, and swiftly evolving that capturing the essence of what will happen is implausible. A simple statistic that illustrates the rapidity and magnitude of the current and pending discontinuity is the fact that in only two months, March and April 2020, there were more than 36 million jobless claims in the US. This is about tenfold compared to what happened during the financial crisis in 2008, which was the most dramatic economic crises of the recent past (1).

So, regardless of the intelligence and effort we invest to predict what will happen, we need to admit that the answer to the question “what will the world look like in the future?” is “no one really knows”.

This inability to credibly forecast the future is a bit of a disappointment for those who picture leaders (and experts) as supposedly well informed and knowledgeable. Yet, in this context, “pretending to know” is the most dramatic mistake we could make.

Prepare to learn

Amy Edmondson illustrates in her book, *The Fearless Organization*, that when a person admits that she does not know, then she opens the doors to learning (2). To understand how to conduct business in the new normal the mindset, we thus should not guess how the future will be, but instead prepare to learn.

How might this be achieved? Given that the context is completely new, we cannot rely on past experience. We will need to learn “on the fly” through continuous experiments and adaptation. There are two ways to experiment and learn (see Table 1). One way is by competing (learning by trying). The other way is by collaborating (learning by sharing).

Learning by Trying. This is the classic way of learning. The purpose here is to learn independently in order to beat your competitors. In this approach, organizations compete by conducting different experiments.

Each organization tries its own ideas, fails, learns, adjusts its direction, and iterates its learned actions. As companies aim to disrupt their competitors, they do not share their findings and insights with other organizations, nor share the data that fuel the learning outcomes. This implies that every time an organization has an idea, it needs to explore it by only relying on its own resources.

Learning by Sharing. In this approach, organizations conduct again different experiments. They generate their own ideas and iterate what is learned. However, they share the data and findings of their experiments. Why? Because they can thus leverage the trials of other players. If an idea has already been tested, and fails, others can avoid this unpromising path and focus on other options. And if the idea succeeds, others can build on top of this success, instead of having everyone starting from scratch. Of course, this path reduces distances among competitors. Disruptions with one big winner and many losers are less likely to happen. The advantage, however, is that that this approach requires less resources (individual and collective) and less time to reach good solutions. This increase in overall productivity and speed facilitates the growth of demand for solutions, which fuels returns to each player. In other words, this mechanism of learning replicates the mechanisms of the prisoner’s dilemma: cooperation between players leads to higher yields than what players would earn if they would maximize their own individual returns.

Learning by trying is the kind of learning that has been prized in the past decade by many innovation thinkers (3), and epitomized by the motto “fail often to succeed sooner”. This strategy worked if the environment changed rapidly but in a linear fashion, so that learning from one experiment could be applied to the next one without the context being changed dramatically meanwhile. The change we are now facing with COVID-19 is however discontinuous and unprecedented. If in this context everyone conducts experiments independently, each player does not have sufficient time to pursue solutions in this uncharted space and then iterate before the context evolves again.

To innovate in the new normal, we need to learn by sharing. This strategy is the only one that can guarantee sufficient scope, speed and productivity derived from the experiments. In fact, data sharing enables a larger community of players to participate in the experiments across a larger variety of settings. And the sharing of findings avoids unproductive trials.

LEARNING BY TRYING (competitive)	LEARNING BY SHARING (collaborative)
<p>How: Different organizations try different ideas, without sharing information. To learn about an idea, an organization needs to try it independently.</p> <p>When: Linear transitions</p> <p>Purpose: To disrupt competitors</p> <p>Sharing: None</p> <p>Competing: On data and ideas</p> <p>Game: Zero sum game (one winner, many losers)</p> <p>Innovation Leader: Disruptor</p>	<p>How: Different organizations try different ideas, but they share their learning outcomes. One can therefore leverage the failures and successes of others.</p> <p>When: Discontinuities</p> <p>Purpose: To support market growth</p> <p>Sharing: Insights and findings</p> <p>Competing: On ideas</p> <p>Game: Prisoner’s dilemma (many winners through cooperation)</p> <p>Innovation Leader: Catalyst</p>

TABLE 1: STRATEGIES FOR LEARNING THROUGH EXPERIMENTS

Learning by sharing, in practice

Learning by sharing is already practiced in scientific research connected to COVID-19. For example, the World Health Organization has launched an international collaboration for the development of the vaccine. It has gathered more than 70 organizations (research centers, manufacturers, foundations) who explore different developmental strategies. These various entities meet regularly to share data and reduce inefficiencies and avoid duplication efforts (4).

PostEra, a start-up based in Santa Clara, CA, and London, UK, is coordinating a massive collaborative project, COVID Moonshot to ra-

pidly develop effective and easy-to-make anti-COVID drugs. The focus of the project is to design inhibitors of the SARS-CoV-2 main protease (the enzyme that enables the virus to replicate). The project leverages data shared by experiments conducted in a synchrotron radiation facility, Diamond Light Source, that has identified 80 fragments of molecules that might attach to the protease. A community of scientists and manufacturers use shared data to design compound inhibitors, which are submitted through the PostEra website. The start-up then runs machine learning algorithms in the background to check for duplications and prioritize candidates for testing. More than 3,600 molecules designs have been submitted with only 32 duplications in the designs.

In Japan, about twenty companies, such as Toyota Motor and Canon, are opening their patents and other forms of intellectual property to make them available free of charge in order to prevent the spread of new coronavirus infections in the world. Toyota Motor for example will allow access to a patent whose technology enables the capture of respiratory data from infected patients without touching their body. The system permits the detection of pneumonia by observing the breathing of the person.

Shared learning is making its way also in ordinary business not connected to COVID-19. Microsoft has recently launched an Open Data Campaign (5). The Open Data movement promotes the sharing of data, similar to what Open Source does for the sharing of software codes. Microsoft will develop 20 new collaborations built around shared data by 2022, including, for example, publishing Microsoft's dataset concerning broadband usage in the US.

It should be noted that shared learning does not necessarily imply that different players collaborate on the same idea or solution, like in consortia. On the contrary, organizations explore different ideas and experiments. This enables multiple efforts to simultaneously explore the entire space of solutions. What is shared, instead, are the data that feed the experiments, and/or the insights and findings they generate.

Making it happen

Learning by sharing is built on a will to cooperate, which is not easy to achieve, especially in a period of scarce resources. The temptation is to look inward, and behave even more competitively, to secure the few resources that are accessible at arm-length, instead of focusing, collaboratively, on building more. What kind of culture and mindset will innovation leaders need to promote when applying learning by sharing in their own organizations?

1. Point to the size of the pie rather than the size of the share. Cooperation happens if the players accept a smaller share of a larger pie, rather than a larger share (if they win) of a smaller pie. In the context of the New Normal, collaboration has the potential to create a large pie through the extreme level of productivity in the experiment achieved from data sharing, and because of the collective stimulus it gives to market growth.

2. Aim for the long term rather than the short term. The prisoner's dilemma shows that collaboration is more likely to happen if players iterate moves and actions in a game over a long period of time. Of course, if we play only once, there is less interest in building trust (which pays off only if we play again in the future). Therefore, in "one-off" situations, we are tempted to maximize our own interest, to the detriment of others. But the journey to rebuild a new world is long. A short-term advantage easily and rapidly turns out jeopardizing the context in which we operate. In the New Normal, therefore, leaders will need to focus their organizations' attention to long term results that can be achieved through data sharing, rather than to short term exploitation of proprietary datasets.

3. Celebrating the catalysts rather than the disruptor. Innovation studies of the last decades have praised the disruptors, who succeed in an industry by eliminating competitors. The heroes were those rebels who changed the rule of the game against the herd. Innovation in the New Normal needs less disruptors and more catalysts. The call will be for leaders who can accelerate the process of bringing together several players, even competitors, around the same vision.

4. Promote a culture of joining and not only driving. The narrative of innovation leadership often celebrates those who drive projects, by coming up with visions, ideas and solutions. This narrative typically emphasizes divergence and creativity. Cooperation in data sharing implies that once a player in an industry or context drives a collaborative initiative, this initiative will succeed only if others are willing to join. This requires the ability to converge as well as diverge.

5. Engage partners across industries. Data sharing goes beyond the scope of a specific industry. Insights and learning are much more powerful when conducted by combining perspectives from diverse players from far flung fields. Moreover, data sets offer more creative opportunities when they embrace different contexts. For example, a global leader in the industry of photography is sharing its vision and learning with players looking at this space from different perspectives that include camera manufacturers, photographers, art directors, services that rent photographic gears, museums, photography schools, fashion brands, firms that create software for post-production of photos. These various actors come together in what we call an “Interpreter’s lab”, where everyone shares their learning and vision about where the industry is going. Universities, such as SSE, can play a key role in catalyzing these types of sharing. They can act as an independent networked player, who can easily access expertise around the world, and facilitate the process of mutual learning (6).

6. Focus on purpose. In the past few years, several business leaders have praised a redefinition of the role of their corporation, beyond profit, to include also purpose (7). Purpose is the core reason for being an organization and for how it impacts the world. Attention to purpose has been so far mainly driven by large societal challenges, such as environmental sustainability. While most of these societal challenges have long term dynamics, the New Normal is an immediate collective problem. It brings urgency to an organization’s process to refocus on its purpose. Learning by sharing will foster leaders to engage their organization in defining what is the real role it wants to play for the collective. The New

Normal will be the moment of truth to test the real commitment of leaders towards promoting a purposeful business.

Health, wealth, and meaning

Among all these six criteria, the focus on purpose is the most important. It cements all practices together. In the last weeks, the narrative on how to address the COVID-19 pandemic has concentrated on the trade-off between health or wealth; should we save people’s lives or should we save the economy. This is a narrow perspective. On the one hand, the more leaders focus people’s mindset on health as the primary and only driver of life, the more they create anxiety and survival behaviors. This eventually reinforces short-term orientation and greed [as we unfortunately have seen in these days, with countries and even regions competing among each other to secure protective masks and other medical devices (8)]. As stated above, fear is the worst enemy of learning. Of course, safety is a crucial factor, but it cannot be the only factor driving a leader’s narrative. On the other hand, if we turn towards wealth, then profit is emphasized, which again fosters a competitive mindset. To stimulate learning by sharing, leaders need to introduce a third factor into the picture: purpose. Purpose connects people to the meaning of life, why they are doing what they are doing, and what’s their role in the world. Meaning is as relevant as health and wealth, as remarkably illustrated by Viktor Frankl, in his book “Man’s Search for Meaning” (9). Reporting his experience as a Jewish psychologist interned in Auschwitz, Frankl observed as that those driven by an instinct of self-survival behaved miserably. Whereas those driven by a search for meaning (which in his case meant a will to write a book and to develop a new psychological practice – logotherapy, as well as the will to meet his wife again) went through the experience with dignity and an elevated mind. Many of us have probably seen the movie “Life is Beautiful”, inspired by the book, where a father, interned with his son in Auschwitz, tells the child that they are simply part of a large amusement park, and if the child plays well (without offending the soldiers) he will win a tank.

Unfortunately, there was no amusement; but the meaning of saving his child's mind elevates the father on the wings of dignity, even when, at the end of the movie, the father is executed by the soldiers. History is mapped by stories of heroes and leaders who do not compromise on basic rights (freedom) to protect health or wealth, to the point of sacrificing their lives. It's surprising how in the latest events of COVID-19, the public debate has been narrowed to the shallow trade-off of health versus wealth. Humans are much more than this. It's only when we bring purpose into the picture that we can help people lift themselves above short-term gains and greed. Then we start sharing and learning.

In a way, Sweden, with its unique strategy of dealing with COVID-19, with limited compromises on basic rights, and where the authorities have trusted the collective intelligence of people, is a powerful example for what leaders can do in their own organizations to deal with the New Normal. Only purpose-driven leaders can help elevating the narrative and provide a more human direction. They have the chance to make the new normal a world not on the verge of anxiety, but rather a world where security and well-being are sustained without compromising meaning, beauty, and freedom.

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