INNOVATING FITNESS

Business, like nature, faces a constant evolutionary battle. What is the role of senior leaders to ensure that their companies evolve in a changing environment? What can they learn from natural systems while preparing for the future?

Jim Hackett describes the Santa Fe Institute as physicists who think about how business would benefit from complexity theory.

For more information, see their **Podcast Series on Complexity**.

01 THE ROLE OF THE CEO

Evolve ahead of change

The role of the CEO is to manage external, unexpected forces in a way that evolves the company to survive moments of chaos. Leading through the forces that are coming at you - inflation, supply chain disruptions, talent shortages etc. - is the essence of your role. Fitness is your ability to compete and remain profitable under changing circumstances.

"Fitness is not benchmarking. If I benchmarked General Motors, I would have missed what Tesla was doing."

- Jim Hackett

The pursuit of fitness is a choice. When natural systems have an advantage, they typically stop evolving and choose to fade or die because they don't give up the virtues that made them successful. In business, the virtue that creates profits is the same that creates stickiness for evolution.

Even successful companies must actively choose to evolve to create fitness. The virtues that built their success will not be sufficient to maintain it in the next phase of change.

"If natural systems behave that way, who's to think the business gets an advantage to avoid it?"

- Jim Hackett

Use snippets of iconic movies that propose a futuristic world and challenge teams to identify where the predicted fitness was wrong.

Highlight how the lack of fitness did not stand out when you first watched the movie, yet it is out of touch compared with how things have evolved since the movie was made.

02 FRAMEWORKS FOR FITNESS

Practice prediction

Find examples of a future that you think are deeply profound to help your teams develop a perspective of the future and a way of reading it.

Develop the analytical muscle of identifying and predicting fitness. Try to find the principles of the future virtues that will create fitness.

"This is what I was after - that in the ether we're in, it's happening right now. But you can't see it."
- Jim Hackett

Get ahead rather than speed up

The things that you can't see are usually those moving faster than you can. Moving faster to compete won't help. Your target has to be ahead of what you're competing against. Aim over the top.

"Why is the CEO allowed to turn to his management team and say, 'Move faster?' What if the thing you're chasing is moving at a speed you can't catch?"
- Jim Hackett

People can't take the limits of what chaos creates and it will always give birth to something new. That's what you need to get ahead of.

"If you can think about working ahead, eventually that boss is going to see that he's not asking you to move faster. He's saying, 'I need that idea.'"
- Jim Hackett

Build prototypes

To aim over the top, build prototypes of the future that you want to create. Once you have built and presented prototypes, people are smart enough to make the right choices but you can't ask people to make choices if they can't see the options ahead.

"Your job as a CEO is the fitness of the design of the business you're creating."
- Jim Hackett

The output of knowledge work is a prototype. It is the proof that deep reasoning happened. Create teams to work on a parallel version of your organization or its products while you maintain strength in your current virtues. Include at least one leader from the product teams responsible for the implementation of ideas.

"How many quarters did Kodak miss on its way to going out of business? We don't know. All we know is it went out of business. So we know the bigger, more profound thing you have to do is design the business for its perpetuity to win."
- Jim Hackett

Lead with integrity

If you want to lead others, you have to be trusted. You can't always control whether you're right or wrong, so act with extreme integrity. People may disagree with you but if they're not questioning your integrity, you can do a lot of good from your leadership position.

Build thoughtful teams

Create an obligation for reasoning before decisions are made. Collect as many details, facts and feelings as possible.

There is no data about the future so you have to marry facts and feelings in the team process. Ensuring that there is a phase for collective thinking before the decisions are made will improve the trust of those who are going to look at your output.

"Nurture the innovation, discipline the execution."
- Jim Hackett

Keep teams small. By Metcalfe's Law, an increase in the number of team members from 5 to 10, increases the number of unique conversation combinations from 10 to 45. Time is a limiting force - limit the team size.

Allow teams to move faster by implementing rules rather than approval meetings. As long as they meet the rules and the criteria, let them continue automatically. They only stop if they don't meet the rules.

"If you start thinking about a natural system evolving, it's not waiting for approval. It's stimulated by the environment it's in, and its actions are what keeps it alive."
- Jim Hackett

To argue for investment in long-term projects while people are solely focused on the short-term, model the future cost to the system if you don't do something. For example,

1. What is the cost of not releasing a new product?
2. What is the cost of not catering for future technologies such as blockchain, AI, or the metaverse?
3. What is the cost of not offering sustainable products?
4. What is the cost of losing 15% market share due to inaction?

Plan the future

Divide everything you need to get done into three baskets: now, near, and far. Each timeline has different objectives and is guided by Moore's Law. The additive technology cost will decrease exponentially so design for the future price, not the current price.

"When a CEO runs the whole business and forgets about near and far, what they're doing is hollowing out the fight down the road, because that's where the battle's going to be."
- Jim Hackett

Design processes and prototypes around ascending technologies. Identify which technologies will define fitness in the future timescale you are planning for.

"You're modeling a fitter design for the business, because it will come."
- Jim Hackett

Rehearse the future

Rehearse execution of product launches or major transformational events before they need to happen. Does everybody know their role? Do they know what to do and when? Do they demonstrate a passion for winning?

"Exude to everybody that from what we're about to do, is there's no retreat. We're going to win at this."
- Jim Hackett

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Members participate in virtual meetings to gain insights, approaches, and tools to tackle their most pressing leadership and business challenges, while also developing valuable peer networks for the future - all to accelerate organizational performance and achieve their business objectives and professional aspirations.

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