Disrupt Yourself Podcast

EPISODE 349: ALEX OSTERWALDER

Welcome back to the Disrupt Yourself podcast. I'm your host, Whitney Johnson, CEO of Disruption Advisors, where we help you grow your people, to grow your organization because organizations don't Disrupt people do. And the building block of that growth. It's you growing your people to grow your organization. It makes sense, right? I just said it. We hope that a stronger team grows our bottom line. But what about approaching the problem from the other direction? Growing your organization to grow your people. We evaluate the state of our team all the time, how everyone is succeeding and how they're failing. But when's the last time you looked at the state of your org chart, and how willing are you to experiment with it? Today I want to bring back an old episode. In 2020, we spoke with Alex Osterwalder about his idea of an invincible company, one that is constantly reinventing itself to stay on the bleeding edge of disruption. Alex, along with his mentor, Yves Pigneur, is one of the top-ranked management thinkers in the world as of Thinkers50 2023, which just wrapped up. The duo is number eight on that list. So here we go. We're going to get into the nuts and bolts of Alex's philosophy, as well as some practical blueprints for creating an organization that grows its people. I hope you enjoy.

Whitney Johnson: First question for you today is where did you grow up, and what did you want to be when you grew up?

Alex Osterwalder: (laughs) I was actually born in a city called St. Gallen in Switzerland, but then with two years, when I was two years old my parents moved to Canada and I moved with them, and I spent the first, you know, year three to eight in Canada in Montreal. And then we came back, and I really grew up I'd say in a city in Switzerland called Winterthur, so that's my kind of upbringing. And what did I want to become? I think I didn't spend a lot of time on asking myself what I wanted to be, architect was definitely one, I just always felt like I want to do what I'm passionate about.

Whitney Johnson: So no set thing, you just knew you were going to do something that you loved, that you felt passionate about, and that that would somehow evolve over time?

Alex Osterwalder: So it did evolve of course, you know, eh, when I was about 17, 18. In Switzerland we have this thing called Gymnasium is when you end school before you go to university, and we had to write down what we wanted to be, and I wrote down professional beach volleyball player, and the teacher got really angry and said, "Oh, you can't do that, you know, you have to put something you really want to become." And I said, "Well, I do," and at that stage I wanted to be a professional beach volleyball player. Eh, and then I had to put something else, I don't even remember what I put, but funny enough my partner, my beach volleyball partner at the time did become a pro.

I actually went on to, to study political science and business, but he became a pro, and he won a bronze medal at the Olympics in Athens. So, you know, because it's funny how these things turn out.

Whitney Johnson: That's interesting that your professor just thought that was dismissive.

Alex Osterwalder: That's how people think often, you know, that they put you in a box, and some things are serious, some things are less serious. I do think time's changed, and it's a lot easier to kind of follow your passions, that was my passion at time, and you know, it wasn't really seen as something serious enough to, to make a job out of it. But I do think those things are changing, and, you know, now we're almost on the (laughs) complete other end where we tell everybody follow your passion, follow your passion, you know, at the expense of having an education, so it's almost like we fall from one extreme into the other.

Whitney Johnson: So you said you studied political science - how did you get, how did you get interested in political science, and then how does political science map to what you do now, this business model innovation?

Alex Osterwalder: It's a funny story that, you know, I don't tell it very often. Political science happened because, business school kind of kicked me out. You know, I did my first exam at business school, and, I was more on the beach volleyball court then in the lecture room, (laughs) so, you know, it turned out I didn't work enough, and I had to change my direction so I did political science.

And I think that was one of the best things that happened to me because afterwards I went back to business, and, and I got my business degree, and I did a PhD in that space, but the fundamental education that I got from political science, sociology, was extremely, you know, good because what you learn there is to question, you know, why the world is the way it is, why institutions are the way they are. And that kind of helped me later on to question well, why are businesses the way they are? They don't have to be this way. You know, we work five hours, 10 hours, 20 hours, that we have this kind of organizational structure, hierarchy or not, so really it was a great education to give me the tools to question things, and to ask could be change it, could we do better?

Whitney Johnson: So interesting. So you weren't studying very hard in school, your professor kind of disrupts you, you step back, but then it ends up being really informing all the work that you're doing-

Alex Osterwalder: Yeah, I think it, you know, at one point you find your passion, and probably one of me weaknesses, but also one of my strengths, is that I have a hard time doing things I don't like doing. So, you know, even when you study you have some courses you have to take, and it's only after time and that's where I had, you know, most fun doing a doctoral dissertation, then you can really dive deep, deep, deep into what you're interested in, and that was the topic of business models. But what's interesting is kind of, you know, things happen the way they happen, and, there were a couple of failures along the way, but they always turned out to be a wonderful new opportunity.

Obviously you don't see them like that when, when you go through that failure, always, failure always sucks, but, you know, if I look back some of the best kind of pivots in my life and in my professional career were based on, on failures.

Whitney Johnson: Okay, so, Alex, you just opened that door, and I'm going to walk right through it. You talked about the failure, and I'm using air quotes right now, of when you were in college, and you weren't studying that hard because you were playing volleyball, what's another failure that's been spectacular in retrospect, leading to success?

Alex Osterwalder: Yeah, the, the funny one is, is how I, you know, started my doctoral dissertation. So I was ... I just finished my business degree, master's degree, and then, you know, I did some job interviews, I actually did one with McKinsey. So I thought oh, you know, I like consulting, I like understanding businesses, I like helping businesses, so I had this pre-interview with McKinsey, and I wasn't super well-prepared because I didn't really know what would, what I had to expect. So it was like a steamroller, you know, over me, and my answers were a disaster, and I refused to answer the way they expected me to answer, and because of that failure, I did a job interview with Yves Pigneur who's my favorite professor at the university, he was looking for a PhD student on the topics of business models, so that was the second thing I did.

And, so the fact of really failing at a job interview with McKinsey, you know, probably it was one of the aspects that turned me into one of the top business thinkers of the world because working with Yves was a, a blessing. Number one, the topic, his mentorship, then writing the book together later on, this potentially is always hypothetical, but potentially that would have never happened if I had become a consultant.

Whitney Johnson: Okay, I have two questions on this. Number one is, you said you weren't answering the questions in the interview the way they wanted you to answer them, does one come to mind in particular?

Alex Osterwalder: It was about the, you know, what's the turnover of a specific Swiss company, and I said, "Well, I'd look that up on the internet.", and then the interviewer said, "No, no, no, no, you have to know that you know, come up with some logical reasoning." So, you know, you'd have to do some bottom up thinking, you know, how many stores does this company have in Switzerland, et cetera, et cetera, but I just, I refused because I found it - While I understood, you know, he was looking for the logical question, I refused to answer it that way because, it didn't make sense to me in this particular instance to not, you know, go to the internet and look it up. So somehow, you know, (laughs) maybe it's, that's my rebellion instinct.

Whitney Johnson: (laughs)

Alex Osterwalder: When I think something is silly I'm not going to do it just to do it, because, because, you know, oh, I need to showcase my, my logical thinking skills, well, then let me do it on something that makes sense, not something that, you know, in the real world I would actually look up on the internet. So I wasn't per se against the logical thinking, but, you know, for a question that makes sense I don't want to, you know, in an abstract way showcase what I can and what I can't do when it doesn't, you know, it doesn't, it doesn't relate to the real world. So maybe that's one of the other weaknesses that I have that, in, in many other instances turned into a strength.

Whitney Johnson: Oh, I love that about you, Alex. I want to like take some of the Alex medicine and be better at that, it's fantastic. Okay, so my second question, for you is I've met Yves, and he is a lovely human being. I would love to hear one of the things that you most appreciate about his mentorship because I would like to, for us to give him a quick shout.

Alex Osterwalder: You know, we've been working together for 20 years now, and he's a, not just a, a mentor and, you know, and, and somebody I look up to, but a very good friend, and there are a couple of things that are really impressive with Yves. He's a very, very, very, you know, powerful thinker. I mean all, all the things I learned on how to structure problems, how to simplify them down to something and more approachable, all of that I definitely got from Yves. But what's really, really impressive is that he just stayed very grounded, you know, and however many books we sell, you know, however we go to China, and, you know, we're the big shots there, he, it doesn't change him at all, right? And that's something that's very impressive because it's so easy to be full of yourself and think oh, you know, I'm a business thinker now, everything I say actually matters. No, we happen to know a couple of things and be good at a couple of things, but where it's not going to, you know, get to our heads, and that's something that I really, really admire with Yves.

Whitney Johnson: Hmm, okay, shout out to Yves. Okay, so big question is what is business model innovation exactly?

Alex Osterwalder: So, the first question is probably what, what actually is a business model and it's very simple. If you want, it's how you create, deliver and capture value, that's maybe a, you know, a good definition, working definition. We like to make business models explicit, right, beyond the product or service, or just the pricing, really what are all of the components that you need to put in place to create delivery and capture value?

And what's interesting, what happened over the last probably 20 years or so is that there's so many different ways of configuring the building blocks of your business model. You know, it used to be that you're in the airline industry, you had one type of business model, you were in the movie industry, you had one type of business model. Today the design possibilities are almost unlimited, but when they're unlimited and you have so many choices you have to think a lot harder, so that's what's happening nowadays.

And when we talk about business model innovation and disruption it's established companies that fail to reinvent their business model when they're already dying, right? So, you know, take the pharmaceutical companies or the banks, their business models have expired, and it's just a question of time until a lot of pharmaceutical companies and banks will disappear. What's happening at the same time is you have some institutions coming in or new players that are disrupting this industry. And one of my favorite examples of business model innovation today, you know, something, one case that we put in our upcoming book is Ping An.

So we always talk about Amazon and so, and that's a great example of a, a serial business model innovator, but Ping An for example is less known. This is a banking and insurance conglomerate in China, and seven years ago that's what they were doing, banking and insurance, and then they decided to become a technology company. And today while it's still the banking and insurance they also built the biggest health platform in the world with Good Doctor, 180 million users, so why isn't that something that a pharma company, or, you know, a Swiss bank created? Because they're incapable of really innovating the business model. They're good at incremental innovation, but they're probably just improving a dying business model, which means they're more efficiently dying.

Whitney Johnson: At a very high level for our listeners can you walk us through one or two, or even three steps that they went through, that you consider an innovation around their business model? So, you said they were, they were in banking, now they're in healthcare, just talk to us a, walk us through that a little bit, so that we can connect the dots.

Alex Osterwalder: Good question, right? So, the first thing they actually did didn't have to do directly with a business model per se. I think where the big business model innovators, or what we would now call the invincible companies, what they, what they do is first create an ecosystem where innovations can emerge. So they build besides the very strong execution culture, you know, running your business, managing your business well, they build an entire innovation ecosystem. So they don't replace the execution ecosystem, they add a new one, and that's really before even thinking about innovation. It's about creating this space and the power structure that allows innovation to emerge.

There is no company in the world that doesn't do some form of innovation, that has incubators, hackathons and all that, but it's innovation theater. What they did well, Amazon, Ping An and so on, they gave innovation power, they made it strategic, and the top leadership spends a ton of time on thinking about innovation, so that's number one. Before even asking how am I going to innovate it's really about, you know, how am I going to change the business model, it's really about how do I create an ecosystem where innovations can actually emerge and blossom?

Now, that sounds trivial, but it's not, because most companies are really geared towards execution, they're world class executors, and they say, you know, high quality and perfection in the processes, and then you have a, a guy like Jeff Bezos saying, "No, no, no, Amazon is actually the best place in the world to fail." Why is he saying that? Because he wants to attract the innovators who know that you can't innovate, you can't come up with new stuff without experimenting, and experimentation means failure. Doesn't necessarily mean big failure, you know, hundreds of millions of dollars, but small failures.

So even before asking how could I change the business model, how could I innovate, the question is how can I make innovation happen in my company, how can I create this space for it? So that's definitely something that, you

know, you see it at the Amazon, and you clearly see at Ping An. They, besides the founder Peter Ma they hired a lady called Jessica Tan, and she is co-CEO, she was the one who really launched the whole innovation ecosystem, so they gave innovation power so the innovations could emerge.

Whitney Johnson: I just want to ask one quick clarifying question on ... So, so you create this structure, this ecosystem where, where our innovation can happen. One of the things I saw that you're thinking about, or you're going to address in this book *The Invincible Company*, is you talk about the ideal work structure for a company in the 21st Century. Can you just maybe touch on that briefly, it sounds like this is a perfect place to touch on that?

Alex Osterwalder: We put a job title that we created a new top- job title called the chief entrepreneur, and not to be confused with chief innovation officer who reports to the CEO, and always say you need a chief entrepreneur who is inventing the future, and he or she is at the same level as the CEO, the chief execution (laughs) instead of executive officer, right, so, so we think that innovation needs to be at the very, very top. So we create that title, which, you know, that's the way we call it. If you take Amazon the chief entrepreneur is actually the CEO, is Jeff Bezos. If you take Ping An, you know, you would have Jessica Tan who has a co-CEO title, but she's responsible for innovation and creating the future.

So what's important is that execution and managing the present and inventing the future, are, you know, at the same level, that's number one, and that's super important, and that's not the case in most companies. Again, they have incubators, and somebody, you know, runs innovation who reports to somebody, who reports to somebody, who reports to somebody else, who reports to the division manager, who reports to-

Whitney Johnson: (laughs)

Alex Osterwalder:... the country, you know, it's just somewhere in the basement, right, so not in a good sense, in the garage.

Whitney Johnson: We started with number one, you were walking us over from banking to a healthcare platform, and you said, "All right, we've got to have the ecosystem in place.", you talked about the ideal work structure, and then you were about to go to number two, and you were going to give us sort of three ways to walk there. Let's go to number two.

Alex Osterwalder: Yeah, so once you have that kind of top level structure in place you need a professional team that has no other task than innovation and inventing the future. So we would typically, you know, create a, a job or put somebody in place who is the chief portfolio manager managing all of the innovations, and their different types of innovations, and, you know, here, we, we borrow from a, from a, Clay Christensen, the, the efficiency innovation, sustaining innovation, the transformative innovation, you have to have a good overview of that portfolio. And the reality today is that most companies, you know, 99.9% of, of projects or an efficiency innovation that's not good enough if you want to, you know, not, if you don't want to be disruptive.

So there's that job title, then there's the Chief Venture Capitalist, you know, corporate venture capital has been around for a while, but it's always been focused on external investments. What we really need is a Chief Internal Venture Capitalist, or corporate venture capitalist, who manages not just external investments and startups, but also internal investments into internal projects. And here are the big, you know, the important thing to understand is you need a very, very large portfolio of small bets in order for some of those bets to, you know, get some traction, and then get follow-up investments where you make bigger and bigger investments. But you don't make the investments based on the idea, you make the investments based on the evidence that they bring to the table that, you know, this idea is getting traction, so this is what we call metered funding.

And then the last job is having a Chief Risk Officer who's just responsible for managing those, those experiments because, you know, there's legal issues, there's brand issues. You want somebody who manages the risk of experimentation, so you can contain, you know, that there will be failures, but you want to be sure that those failures won't jeopardize the survival of the company. So there are a couple of things there that we now know, you know, innovation is not a black box, so we know a lot of it, which is a very few companies that put this into place.

Whitney Johnson: So the company that you were mentioning, and I'm, I'm concerned that I'm gonna mispronounce it, it's Ping An-

Alex Osterwalder: Yeah-

Whitney Johnson: ... is that right?

Alex Osterwalder: Correct, yeah.

Whitney Johnson: Okay. So, do they have this org structure, it sounds like at least partially in place?

Alex Osterwalder: Definitely, they have that partially in place, and they really, you know, think in terms of okay, we're not going to get it right. And, so, you know, Peter Ma who is the founder of Ping An, when he said, "We need to become a technology company.", about eight years ago, he said, "You know, we're not going to figure this out right away, we have to experiment." So the money they made available, which was 1% of profits and 10 percent of profits they knew they wouldn't get it right immediately. So when they invested they invested in experiments of which some, you know, really failed, and some turned out to become, you know, really outliers and, and big winners.

So they put that structure in place with Jessica Tan as a co-CEO managing this, and by experimenting a lot with this kind of venture capital funding approach, and from the learning, you know, what, that they would get from the failures sometimes they would pivot into something new. So typically they started with their own secondhand car platform, they failed, but they learned enough to make an investment in an Australian, you know, startup that they were making majority investments, so the learnings that they got would help them make better investments, so they're really putting this in place. And, you know, the more, the well-known company that does this is Amazon, and today even in Europe you're starting to see some companies like Bosch and Bayer that are putting this in place at one of the bottom up, bottom up movement, but they're definitely using this type of innovation funnel where, you know, you have 40 to 60 projects every year to explore.

And only 70% will then get follow-up investments, and then, in the second round only 70%, 30% of the projects will get follow-up investments. So they weed out those projects that don't get traction, that's what we need to learn is in innovation you can't pick the winner, actually failure is good. And then people say, "No, no, we don't want failure, we want to learn." No, no, no, what we want is to build something new, but we can't pick the winner, so we're going to have to embrace failure.

Whitney Johnson: Let's close the loop on Ping An, is there anything else that you want to say about how they migrated from banking and finance to healthcare?

Alex Osterwalder: I think what, what ... The lesson to take away for, you know, I'm thinking Switzerland (laughs) now, but have this, the same in North America, or Latin America, wherever else, you know, companies that think of themselves in terms of industry they're going to die. You can't think you're in this industry or that industry, you need to think business model. So, you know, if you think you're in banking or you're in pharma probably you are stuck in the last century like, the Five Forces, and, so Michael Porter and that's 1985. The world changed a little bit, so our analytic tools need to change as well. And what I really think is the shapers of now in future are those that look at the business model of the, as the unit of analysis, not the industry. You know, if you look at the top players in the U.S. today they're all, you know, business model players.

You can't say Apple is in the hardware industry because they do software, they do content, you know, they do gaming, so you can't say it even if they earn it still, you know? The line share from iPhone they're not a hardware player, they have a very complex business model, and that's what keeps them ahead. So the big lesson for most companies is forget thinking about industry, you need to breakout of your industry, or you're very likely, you know, to have a tough time, and many of the industry players are going to die if they focus on industry analysis.

Whitney Johnson: You've started to touch briefly on this, you've got a book coming out about the, called *The Invincible Company*, tell us how that book came about because you'd already written *Business Model Generation*, and *Value Proposition Design*, sold two million copies, what was the need for this book, and what problem does it solve?

Alex Osterwalder: So, you know, the way with Yves and with Strategyzer, the way we had addressed these, these challenges is, is we just looked at what's still missing. So, and we had the Business Model Canvas, we had the Value Proposition Canvas, so they worked really well, and millions of people literally used these tools around the world. So we were asking why can't established companies innovate, what's still missing, and we realized that we needed to have tools at the senior leadership level. Senior leaders at established companies, they don't actually care about the business model that much, they care about the portfolio of business models, they care about resource allocation at the top level.

So together with Yves, and we sat down in the mountains literally, we went back to La Sauge where part of *Business Model Generation* was written, and we said, "Okay, how can we create a shared language for senior leaders?" And we came up with a tool called the Portfolio Map, which would allow senior leaders to visualize and manage two portfolios, the portfolio of existing businesses, and how likely they are, you know, being disrupted, and the portfolio of future businesses, which they are exploring. And once you visualize that, you know, it's a completely different ballgame. You start to see oh, we're likely to be disrupted, and we have nothing in the funnel in, in our explorative portfolio.

So that was the basis to create that tool, and then we started with the book, and we added the different pieces that we think today are missing. And I'm pretty sure after *The Invincible Company* we'll also see a couple of other things that are missing. You know, our goal is ultimately always to create the tools to create better businesses, to help them, you know, be able to reinvent themselves. And we think now we have a really good tool set at the senior leader level as well that will help the bottom up movement, which is already there, really, really gain some traction.

So that's kind of how things emerged, we see challenges in the field, we come up with simpler tools than exist today or sometimes there are none, and then we package them in a very attractive visual book, and try to spread those tools, and messages and processes, out in the world. And then if we still, you know, can't get big established companies to innovate well, then we have to figure out what are we still missing, what are we still doing wrong. So we almost see it like a personal challenge (laughs) that there are not more established companies around the world innovating. You know, I think we can't, we shouldn't blame the companies, we should blame the thinkers who are not doing a great job in helping them actually transform.

Whitney Johnson: In your book, or at least what I've read on your website is that you're going to offer to people seven questions that they can ask to assess where they are. Um, could you share a couple of those so that people can just be kind of drilling down on these ideas, and getting excited about reading your book?

Alex Osterwalder: There are two aspects. So, before I get to those questions one is more on the, we call this innovation culture readiness. So there's a series of questions that we ask companies and leaders, so they reflect on, you know, how much have we put in place to really innovate, and one is, a very silly one for example is resource allocation. So then companies might say yeah, yeah, we put a lot of money, you know, into innovation, but what about leadership time? So there's these simple questions like this, innovation culture readiness is how much time does the CEO spend on innovation? You know, if it's not 40% of his or her time per week in the calendar than you can be sure innovation is not going to happen at that company, or if it's not the CEO it should be a co-CEO, like at Ping An. So those are what we call innovation readiness questions.

Then, you know, another one would be around the org structure, where is innovation in your arc chart? It's not because you put, you know, a hundred million dollars into an incubator that you're magically going to get projects to emerge. If you don't have innovation at the very top of your company symbolically you're saying this is not important, this is not about inventing the future. So we have a series of questions around innovation culture readiness simply so people can look at, you know, they do a self-assessment and figure out where they are. So that's the first series of questions just more about the culture and the cultural readiness to innovate.

The second one then is more about the business model, so it's almost like one level of granularity down, where you start to assess your business models. So a typical question would be, you know, does your business model have switching costs, are they locked in or not? So my favorite old example is still, you know, in Nespresso for a very long time they were able to lock in customers because you would buy a machine, and you could only put in Nespresso pods into the machine. Then the pod patents expired, but they came up with a new system for the U.S. where they have patents again, right? So customers are locked in to a certain extent, if they want to get a different coffee they have to buy a different machine. So it's very simple, these questions, but people rarely ask them when they design new business models, and they rarely ask them to assess their business models.

Another very simple one, almost silly you could say, very basic, but again, we don't ask them when we design new business models or when we assess business models is transactional revenues versus recurring revenues. Transactional revenues are great, I'm selling something, and I'm selling it well maybe, but I have to sell again and again and again and again. If I have recurring revenues, like software as a service these days, I sell once, I have the cost of sales once, and I earn revenues again and again and again, and every additional sales builds on top of the existing one, so that, you know, turns into a very powerful revenue machine. That's why companies like Salesforce became so dominant because the recurring revenues from software as a service are so much more powerful than selling licenses.

So we ask those questions for a very simple reason, because most people are still focused on products, and services and technology, but you know what? The winners today, they compete on superior business models, and some - take the Nintendo Wii. They disrupted an industry with an inferior game console because it was a fun kind of game console with very standard technology, but the motion control was the fun factor. So they targeted casual gamers, and they built a profit spitting machine, which, you know, almost outsold ever other console, maybe not in numbers, but definitely in terms of revenues for a very long time.

So you don't need technology to innovate, what you really want to look at, what you really want to understand, is business model innovation, and it's a completely underused, you know, opportunity to think business models and not just technology products, and services and price.

Whitney Johnson: I know as I'm listening to you I'm thinking about my own business model, and I hope that everybody who is listening is thinking about theirs, and then also thinking about, you know, models for your business that you may be running, but then also for you personally, like what mental models are you using as you're considering how you're living your life, et cetera. So one of the things I've noticed, Alex, about you is that you think very visually - like you have these visual models. Tell us about how that came about, and why you think this is so ... Why you found this to be so important in the work that you do?

Alex Osterwalder: That's a very good question, a very accurate observation, I think it actually started from a weakness. So I, I have a hard time, you know, understanding sometimes complex things, if I can't visualize them I can't understand them, that means I need to draw it, I need to just map out the different pieces, how they relate to each other. So the weakness of not being able to figure out things in my head, having to put them down visually, you know, forced me to make conceptual models, mental models that would help me better think through challenges in a structured way and in a systematic way. And it turns out if you take the business model canvas because both Yves and myself, and now entire company, because we're so visually oriented we realize how powerful that is.

And if you read books like, you know, *Brain Rules* by John Medina you'll see that well, very simple why visual matters because it's you, it's evolution. We used to run away from dangerous animals when we saw them, so everybody's visual, so even those people who say "I'm not visual, I'm, you know, less visual," well, everybody is visual, some a bit more than others. But the visual tools that I use to make sense of the world for myself turned out to be a very, very powerful instrument to create a shared language because when people put up a sticky note in a team that you're working with five people you put up a sticky note with oh, this is our customer segment. You'll have a whole different conversation than if you just talk about it because once you put that physical artifact on the wall, there's no more hiding, right? Nobody can forget because it's visually there.

So you start to have completely different conversations, one is everybody's focused on that visual, everybody can see it, it won't get lost in their short-term memory, but because it's now a physical artifact people will have much, you know, more intense conversations until they find the common ground. So visual tools in the boardroom is something we don't really have that much yet. You would never find an IT team mapping out the, you know, server infrastructure without visual because it makes no sense. Well, why can we map out the strategy of a company in a competitive, changing competitive environment without using visuals just words, that doesn't make sense.

So there needs to be a whole new tradition of visual tools that we need to bring into the boardroom. You know, it started with facilitation, visual facilitation has gained a lot of traction, but still doesn't, didn't really arrive in the boardroom. So some of the basics of visuals, you know, have to do with neuroscience, we just need to, to manage in a better way, and, and run our meetings in a better way, and visuals are just basic brain science, right, that- that's why it works.

Whitney Johnson: I want to give you shout out. I don't know if you remember this, but when I was writing *Build an A-Team* you and I had a conversation, and you said to me, "Whitney - every single chapter you need to be able to tell ... You need to be able to basically draw a picture for each chapter, and if people can't understand what the book is about based on those visuals then your book isn't clear, it's not crisp, it's not succinct enough."

So I don't have a visual for every chapter, but I did have that as a, what do I want to say, as a watchword, or a lodestone as I was thinking through the book and trying to structure it. So I wanted to give you a shout out, and a thank you for that advice, and it, it continues to, to reverberate as I, as I go about my work.

Alex Osterwalder: That's great, thank you. You know, one of the things, it's almost like it's linguistic because I like visual books, so I try to convert authors to doing more visual books, so they're easier for me to digest. But, you know, at the same time I do actually believe of course there is space for every format, there's no right and wrong, but I do believe sometimes when it comes to, to content we try to describe things with words that we just shouldn't describe with words, right? We should just have a visual, and then describe the visual with words.

You know, there are just certain things you can't describe with words because it's too abstract, concepts are hard to describe with words. You know, a story, and, and, and, and the atmosphere, yeah, you can kind of describe that, the visual might take away of the imagination, but when it comes to concepts you don't want too much imagination. You want to actually an aligned understanding, so let's use words where your words make sense, and let's use more visuals where visuals can simplify our life, and, and increase our shared understanding.

Whitney Johnson: Let's talk about the mental model of the S-curve, and I would argue that you, your business Strategyzer is in the sweet spot of the S-curve. You're not on the launch point, you're certainly not at the high end of the S-curve where it's time for you to, you know, jump and reinvent your business model, excuse me, at least not completely. So can you talk to us about what's it like being in this sweet spot, and what are some of the, the challenges, and the sort of challenges and opportunities of being in this sweet spot of your learning curve as a business?

Alex Osterwalder: So I actually think, you know, what, what we try to do is, is think several business models ahead. So today we're still doing a lot of services, right? We're not a traditional consulting company, we do technology enabled services. We use online course, we use software, we use, you know, video platforms, to use technology where technology makes sense, and to use people, and, you know, yeah, facilitation and coaching where that makes sense. But we're already thinking ahead to, you know, more sophisticated technology platforms, it's just that there's no market for that yet, so we're probably in the sweet spot for our current business model, but that's not where we want to be, you know, in the future.

And, you know, a good example there would be Netflix. So what's amazing with Netflix is the founders, you know, around Reed Hastings, they already knew they wanted to create a streaming platform, but when they launched there wasn't enough bandwidth, and the technology was not ready, so what did they do, DVD rental over the web, right? And they disrupted that space, but with a business model they already knew would expire, so they were thinking several business models ahead, and that's pretty rare, right? That companies thinks several business models ahead.

It's one of the reasons why we didn't take on venture capital because we do believe that the more scalable part of our business model today is not really ready. If we take money we're condemned to scale with something that can't scale yet, yet, and we would probably run out of steam. So what we're trying to do is build the foundations for the next few business models with a business model that can work now, right? So we do have a, you know, great customer base around the world like Mastercard, Tallis and so on, so what's, what' interesting is that what we're focusing on now is not necessarily what we want to do tomorrow, but we have to go through this intermediary business model. So we already think, you know, as several cycles ahead, and try to do well what we're doing in order to build the future.

So I think to a certain extent, you know, I think you can't feel like you're in the sweet spot because as soon as (laughs) you start feeling like you're in the sweet spot you get complacent, and you forget that the world is changing. So what we talk about in *The Invincible Company*, we, we try to apply it to ourselves. You need to execute what you have, but explore the future, and that doesn't just, you know, go for the very large players, that goes from the one person company, and there's, there's where you create a lot of value, you know, opening up people's eyes, and saying hey, you need to disrupt yourself, right, at the ... But that's a mindset. So I think that that is what we try to do, it's not always easy because doing two things at a time, executing and inventing at the same time is hard, but I do think that's a mindset that's important.

You can also just continuously explore, but then you usually run out of steam and money, you can just execute, then you, you get disrupted by others. So the best recipe is to try to optimize the sweet spot while you're already thinking about the future.

Whitney Johnson: Oh, I love that you said that, Alex. So if you're just in this exploration mode you're continually on the launch point, if you're just in execution mode than you're at the high end of that S-curve, and you will get disrupted. And the sweet spot is that place where you're both executing and entrepreneuring, I don't know if that's a word, but you're, you're doing both, and you have the luxury from a cognitive financial sort of bandwidth perspective to do both if you're willing to do both, what I hear you say you're doing.

Okay, so for people that want to find you, they're saying wow, this is really intriguing, I want to learn more, what's the best way for people to just engage a little bit more with you and your work?

Alex Osterwalder: Yeah, so we share a lot, I really believe in, in sharing the tools, and, and, you know, getting people to use the tools, so on strategyzer.com, or on our blog, blog.strategyzer.com, or in our newsletter, we try to share as much as possible because, you know, the tools are so it's not where we make the money. We want companies to change the way they work, we're providing the infrastructure, right, so just go to our website, strategyzer.com, and you'll find a lotta stuff for free to download. And then there's also some, you know, paid online courses or so if you want to get to the, to the next level. We have master classes, et cetera, but, you know, free is for us a way of life, the freemium model, and we even give away also about a quarter of every book to allow people to evaluate is this for me or not. So on our website we, we share a lot of that.

Whitney Johnson: I saw somewhere in social media, I'm not sure, maybe it was Instagram, that you're trying to go skiing every morning or a couple days week. Did you go ski this morning, and if so where did you go?

Alex Osterwalder: Actually, yesterday I went to do a ski tour, which means I actually walk up the mountain maybe one or two hours to ski down 10 minutes, you know, you put what we call skins on the skis to walk up. And yesterday I was in a place called Limus, a beautiful day, fresh powder, today my legs hurt so much that I couldn't go and you, you need to find a balance as well, right? So when, when we were working on *The Invincible Company* there was a bit of less time, and now I try to go in the mornings because the mountains are 45 minutes away here in Switzerland from where I live in Lausanne. So absolutely, definitely, that kind of balance is, is I think important, and you can air out your brain, right? And in the car I have my calls, so I try to optimize the luxury of being able to do this, and, and the realities of business life.

Whitney Johnson: You speak English, and you speak German, and you speak French, how does the fact that you are able to code switch from a language perspective, how has that informed the work that you do?

Alex Osterwalder: I think it's been valuable, like I speak English with my kids at home, that English was my second language simply because it made my life easier, you know, it still is the language that dominates a lot of the business world, but I also really like to switch to the local languages when, you know, I'm in that kind of context. That Swiss German is my mother tongue, English is my second language, which I learned from my sister. When we came back from Canada she put in her head that she wants to speak English with her little brother and that's the way I learned it, and then I went on doing that. But then I moved to the French speaking part of Switzerland when I was 20 to study and, and play beach volleyball, (laughs) and, so that is, is, is my third language.

I regret that I don't speak more, I don't speak Italian, you know, our third language in Italy, and in Switzerland, the Italian part, so, so I always regret that I can't speak more. It's just fun to, to, you know, to speak a, a language when you interact with people because it's limiting, right? If you don't know the language it's limiting for everybody who has to do a presentation in English when it's not their mother tongue it's really hard. And sometimes without wanting to we judge, you know, their presentation, yeah, based on their language skills, so it made my life a lot easier.

Whitney Johnson: And then you speak a fourth language, which is visual.

Alex Osterwalder: I like that, I like it

Whitney Johnson: What's the mental model or visual tool that you rely on the most in thinking about your life, your family, just sort of in your personal life?

Alex Osterwalder: So I, I just use sticky notes a lot, right? You know, I do kind of like a brain dump, I write down everything I'm concerned about, everything I want to achieve in terms of you know, life, and work and family, and I put it on the wall, and I try to make sense of that. So that's definitely, you know, the way I kind of put structure in my head, it's too chaotic, so I try to visual it on the wall, and then, eh, there a couple of tools out there, you know? Our friend Marshall Goldsmith that created this wonderful <u>Wheel of Change</u>, I, I love that. There are a couple of other tools I use, is it for, for willpower, I have zero willpower, like I just, I just have no willpower, so I need to use tools that kind of structure my thinking, you know? Using loss aversion, short-term loss aversion to my benefit, so I just, I like using mental tools and mental models to structure everything I do. And the <u>Wheel of Change from Marshall,</u> you know, looks at what do you want to change in your life, and what do you want to keep, and what's negative in your life and what's positive. And you'd say well, I need to change everything that's positive, well, no, sometimes you can't change it, and you just need to make peace. So you're going to keep it, even though it's negative, but you're going to make peace with the fact that it's there, it's not something you can change, right? Some struggles you might have in our family, well, guess what? Sometimes it might be impossible or hard to change, can have to do with health, et cetera, so you're going to have to make peace with it and accept you can't change it. But then you can also very deliberately preserve the good things you have, and create, you know, other things that are not there yet, so again, it's about visualizing.

I think we do these things intuitively, but having a mental model that allows us to visualize these and, and explicitly work on them is very powerful. So if you just Google the <u>Wheel of Change</u> you'll see a couple of images coming up. I found that one of the most powerful, tools just to structure the way I think about changing things and keeping things in particular, and I had to ... I had a hard time dealing with those things. Sometimes they're, they're negative things you just need to make peace with, so you can't change them, make peace with them, so, and that, that, that's a go- that's a game changer, right, so Wheel of Change has been a very good one for me.

Whitney Johnson: Hmm. Any final thoughts as we wrap up?

Alex Osterwalder: I admire your work and your drive, so my, my final thought is, you know, keep it up, this is, this is always great, and it's been a great pleasure to be part of this podcast. Thank you for having me.

Whitney Johnson: Oh, thank you, Alex, it's been fun to have you.

There's something compelling about finding design opportunities within something like an org chart. It's one thing to be a user experience designer or a graphic artist creating a new logo or a new website layout. But where do you find the joy, the spark in designing who reports to whom? There's a couple of takeaways on that note.

The first thing is to see the company as a company, not the industry it operates in. Your organization is capable of much more than just what it's doing at the present. Incorporating that wide funnel approach to innovation can keep your eyes on the future, even while you have your hands full with the day to day.

Another thing that Alex said that's ringing true for me is getting buy in from the C-suite. From the top of that mountain, everything can look like dollar signs and market share. But to innovate, you start at the bottom of the curve, which means that your decision makers up and down the organization need to be bought into innovation. They need to be bought into change, into disruption. Otherwise, like Alex says, it's just theater.

Last thing, what does it really mean for a company to be invincible? Does it mean just being bulletproof against downturns? What I heard from Alex is that invincibility is more like confidence. Confidence that your ecosystem, your engine, is maintained and well oiled. Confidence that the system was built intentionally. Confidence that you've put in the time to grow your company. To grow your people.

For more on innovating within yourself to better Disrupt your business, there's **episode 301** with Gary Turner. On disrupting huge organizations and getting the top down buy in to these ideas. There's **episode 138** with Dave Ulrich, and of course, all this disruption could mean a real rush of anxiety. For that, I'd point you to **episode 314** with Morra Aarons-Mele. Thank you again to Alex for being our guest and thank you for listening. If you enjoyed today's show, hit subscribe so you don't miss a single episode. Thank you to our producer Alexander Turk, production assistant Ange Harris, and production coordinator Nicole Pellegrino.

I'm Whitney Johnson.
And this has been Disrupt Yourself.