

Moonshot thinking

We live in an **incredible time**, with more change in the next 5 years than the last 250 years. New tech, new markets, new possibilities. How will you focus, compete and win in this **exponential world**?



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“Moonshots” are the incredible, seemingly impossible, ideas that can change our world.

Google X is a **moonshot factory**. Full of creative thinkers, optimists, seeking out the big opportunities and most challenging problems, that with a little imagination and a lot of **innovation** might just make our world a better place. From intelligent cars to augmented vision, the [X] team fuses tech possibility with human need, to create more audacious, inspiring **futures**.

This is how we move forwards.

From **Galileo’s vision** to Da Vinci’s mechanics, Ford’s cars to Bell’s phones, Apple’s devices to Dyson’s cleaners. They enrich society, and make life better. Markets emerge out of new possibilities, seeing things differently, thinking different things. Brands capture big ideas, innovation turns them into businesses, and future growth.

We live in the most **incredible** time.

Days of **exponential change** and opportunities limited only by our imagination. A world where impossible dreams can now come true. A period of **awesomeness**. From Alibaba to Zespri, Ashmei to Zidisha, Azuri and Zipars, a new generation of businesses are rising out of the maelstrom of economic and technological change across our world.

“**Gamechangers**” are more ambitious, with stretching vision and enlightened purpose. They see markets as kaleidoscopes of infinite possibilities, assembling and defining them to their advantage. Most of all they have **great ideas**, capturing by brands that resonate with their target audiences at the right time and place, enabled by data and technology, but most of all by rich human experiences. Social networks drive reach and richness, whilst new business models make the possible profitable.

Our challenge is to make sense of this new world, to embrace the new opportunities in innovative ways, and to be a winner.

What’s your game?

Branson flashed his trademark grin, flicked his shaggy maverick hair. “Business is like **the best game** you could ever **imagine**”

We talked about his multi-billion dollar investments in financial services, media and telecoms, airlines and space travel. He described his responsibility to hundreds of thousands of staff, and millions of customers.

And he was calling it **a game**.

He was having fun now, challenging the notions of conventional strategies and structures, especially in the biggest companies. The essence of Virgin, he said, is to do things significantly different and better.

He talked about his admiration for kids, and for the **next generation** of entrepreneurs, especially those in fast-growing markets who have hunger and passion, and was inspired by iconic revolutionaries, Nelson Mandela and Steve Jobs.

“You’ve got to **think different**, uninhibited like a child, never give up, have an ambition that you really care about, take more risks, be ingenious, make a bigger difference to people’s lives, have incredible fun, but also **play to win.**”

I asked him what keeps him going. “Doing things different, unexpected and a bit crazy” he said. “It’s about playing the game. But the best way to win is to **change the game**”.

Whilst he says he’s not too old for an all-night party, Branson loves a game of tennis, and that’s after he’s swum for an hour each morning along the coast of his own Necker Island.

From his earliest venture, launching a student magazine, he would always do things differently. He launched his first airline with no knowledge of the travel industry, but he had a **big idea**, to provide low-cost travel that was modern and fun. And he had a brand that at least some people loved. He could see an opportunity to disrupt the market, to be on the customer’s side. When he launched mobile phones, he piggy backed on somebody else’s network, to grow **further** and **faster**, and targeted a new generation of consumers.

Even **Virgin Galactic**, his latest and craziest business, is not all it might seem. He had no experience of space travel. But he got together with glider designer Burt Rutan to do things differently, launching his spacecraft from the back of a mother ship, eventually to be fuelled by his algae farms of the Carribean, hugely reducing costs and carbon emissions, and enabling daily departures and landings.

Perhaps the most surprising revelation is that space is not really the frontier. Branson’s real ambition for Virgin Galactic is inter-continental travel. Imagine a one-hour flight from Rio to Jakarta, or Cape Town to Beijing. It could get a little weightless on the way, but could transform the way we think about the world.

Whilst Branson was still playing, it was already evening in Beijing.

Li Ka-Shing was sitting down to a dinner of his favourite snake soup. The Chaozhou-born, Hong Kong-based chairman of **Hutchison Whampoa** is the richest man in Asia, worth around \$30 billion according to Bloomberg.

Yet he lives a relatively frugal existence, wearing simple clothes and a \$50 Seiko watch on his wrist, and has donated much of his fortune to education and medical research.

This is a man who sees business as an ancient game, rooted in Chinese culture's "**Wi Xing**" where the five elements – wood, fire, earth, metal and water – come together in a mutually generative sequence.

You can see these phases in Li's business investments which include construction and energy, mining and technology, shipping and banking. Together they account for over 15% of the market cap of Hong Kong's Stock Exchange.

Li loves a game before work too. In fact you'll find him at 6 every morning teeing off at the Hong Kong Golf Club with his playing partner, movie mogul Raymond Chow.

Whilst Asia rises, the old is still important. And that great old "Sage of Omaha", investor **Warren Buffett**, still knows how to play too.

Twice as wealthy as his Asian peer, Buffett loves to surprise his shareholders when they gather at "the **Woodstock of business**", Berkshire Hathaway's annual meeting. Forget slick graphics explaining the complexities of financial markets, this is different.

As the lights dim, there's a roar off stage, and 80 year old Buffett rides on dressed in a leather jacket, on the back of a shining **Harley Davidson**. He grabs a guitar and starts playing a song. His review of the year. His shareholders love it.

In fact it's interesting how playful the world's most famous entrepreneurs are.

Mark Zuckerberg began writing software at the age of about 10. As his father once said "Other kids played computer games, Mark **created them**". Whenever he came across somebody else's game, he would hack into the code, change it, to make it better.

Facebook itself started out as a game. Enrolled at Harvard to study psychology and computer science he was quickly distracted, famously creating a game called **FaceMash** which invited fellow students to vote for the hottest girls (and guys) on campus.

Soon he changed the game, under pressure from some of his peers and University administrators. Facebook was born. And a billion people followed.



The Guiyang Circle

Living in the zigzag zeitgeist

More than **half the world** live inside a circle based 106.6° E, 26.6° N, and within 4100km of Guiyang, Guizhou Province, in southwest China. A quick snapshot of our changing world demonstrates the dramatic change which surrounds us, and is or will disrupt every business:

- **Middle world** ... Global population has **doubled** in the past 50 years, with a shift from low to middle income groups, a new consumer generation (OECD)
- **Young and old** ... As life expectancy has boomed, now over 70, and births have declined, from 5 to 2.5, we live longer, with different priorities (UN).
- **Mega cities** ... Urban populations will grow from 3.6bn in 2010 to 6.3bn by 20, representing 96% of the global population growth (World Bank)
- **Flood warning** ... By 2050 at least 20% of us could be exposed to floods, including many cities, an economic risk to assets of \$45 trillion (World Bank).

Brands come and go with much more regularity, products are built across the world, small business working together in networks:

- **Business life** ... Over 40% of companies in the Fortune 500 in 2000 were not there in 2010. 50% will be from emerging markets by 2020. (Fortune)
- **Made in the world** ... 55% of all products are now made in more than one country, and around 20% of services too (WTO)

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- **Small is better** ... 70% of people think small companies understand them better than large. The majority of the world's business value is now in privately owned.
- **Corporate trust** ... While 55% of adults trust businesses to do what is right, only 15% trust business leaders to tell the truth (Edelman).

Technological innovation is relentless, currently digital and mobile, but rapidly becoming more about clean energy and biotech:

- **Always on** ... 24% of world population has a smartphone, typically checking it 150 times per day, spending 141 minutes on it (Meeker)
- **Digital markets** ... 80% of websites are US-based, 81% of web users are non-US based, 70% of the value of all e-commerce transactions are B2B (IAB)
- **Instant content** ... Content on the internet tripled between 2010 and 2013. 70% is now video. The half-life of social content is 3 hours (bit.ly)
- **Future energy** ... By 2017, there will be close to \$11 Billion in revenue from 35-million homes generating their own solar or wind power (GIGAom)

Customers feel increasingly ambivalent to brands and companies. In a world of infinite choice, their priorities and preferences have changed:

- **Bland brands** ... 73% of people say they wouldn't care if the brands they used disappeared. 62% say they are not loyal to any brands (Ad Age)
- **Customer emotions** ... 70% of buying experiences are based on how people feel, loyal customers are typically worth 10 times their first purchase (McKinsey).
- **Service costs** ... 7 times more to acquire customers than keep them, 12 positive experiences to make up for one unsolved negative experience (IBM)
- **Family life** ... The amount of time parents spend with their children continues to go up, fathers spend three times more than 40 years ago (Meeker)

The end of the world as we know it

When Henry Ford launched his Model T in 1908 his Detroit assembly line, his innovative product, and his pioneering marketing machine, transformed an industry. His efficient mass-production methods reduced prices, improved quality, and created vast wealth. He dominated the market, and by 1918 half the cars in America were Fords.

It was the third wave of the industrial revolution.

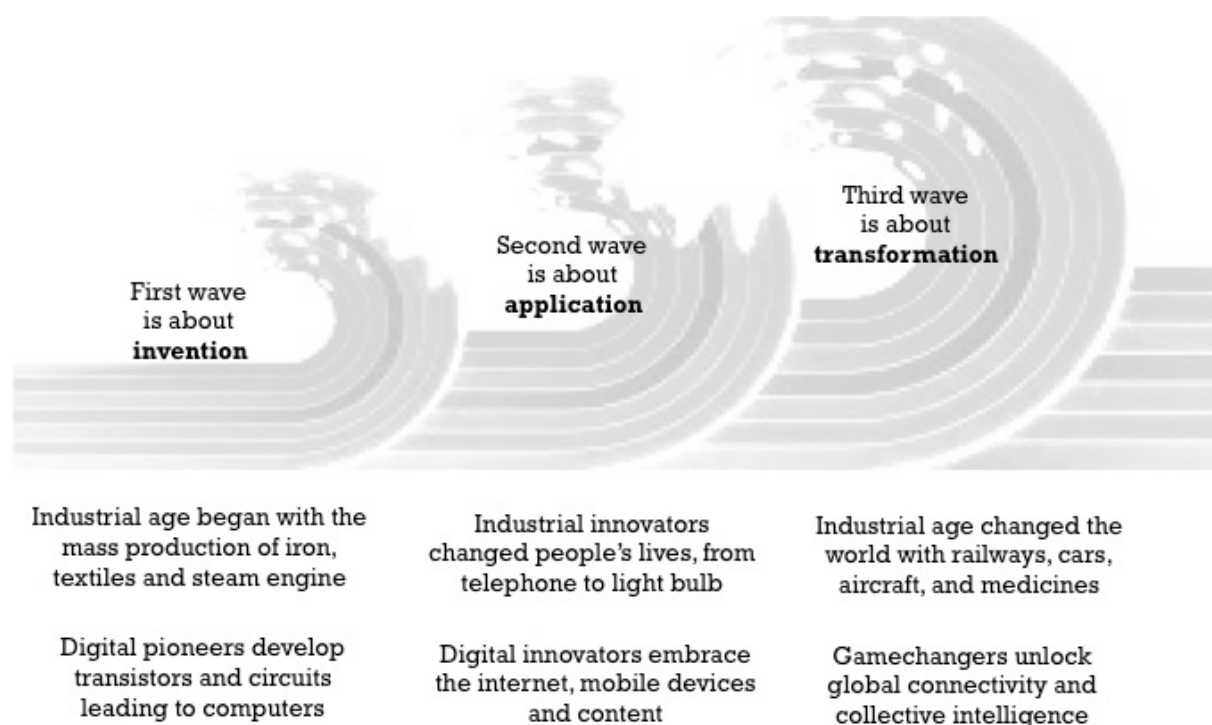
The first wave of the industrial revolution had been about **invention** – from the forging of iron in the Shropshire valleys, the spinning jenny for making textiles, and James Watt's steam engine. The second wave was about **application** – Robert

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Fulton's steamboat on the Hudson River, Alexander Bell's telephone, and Thomas Edison's light bulb.

The third wave was about **transformation**, when the innovations take on a scale, and can change the world – from the mass production of cars, railways and airplanes, huge factories and modern medicines. This transformed people's lives, improving health and education, the growth of cities and international trade.

Whilst the industrial revolution had begun in the north of England, making Britain powerful and wealthy, it soon spread across Europe and to America, and in later years beyond, particularly to Japan. It was 250 years of disruption, after 7000 years of a society based around agriculture.



Waves of revolution in the industrial and digital ages

Now, as that age closes, we are in the midst of the **digital revolution** – embarking on the third wave of a new age that will change the world again, even faster.

The first wave, about invention, started with transistors that led to integrated circuits, rise of **computers** and the miniaturisation of machines ... from video games and mobile phones through to 1990 when Tim Berners Lee introduced the World Wide Web.

The second wave, about application, is well known to us today. Internet and mobile **communications** pervade our lives, shopping on Amazon with our Apple iPads, a world of knowledge through Google and Wikipedia, a world without borders by Facebook and Skype. First distracting us, now embraced as the way we live.

The third wave of the digital revolution is when everything changes, when digital is transformational, when power really shifts.

Whilst the last 20 years of technology has inspired us, it is only **now that the game really changes** – when the “gamechangers” shape the future. Mass production is rapidly becoming obsolete, 3D printers are already replacing factories, companies work in virtual networks, products bought on demand and customised by default, whilst personal channels are replacing stores which used to second guess what people wanted.

In the past we created average products for average people. We made the products ourselves in big factories that absorbed significant capital investment. We needed to sell huge scale to secure a return on investments. Markets were largely homogeneous because every competitor was close to average, therefore we could measure results by market share. We used mass-market, broadcast advertising with average messages, at times to suit us, pushing people to buy more of what we wanted.

This game **doesn't work anymore**. That was the industrial age. Soon we will see the end factories, shops and advertising.

Digital is by its nature, not about size or geography, capability or experience. It is **borderless and democratised**, enabling anyone to have an impact. Mikael Hed sits in Espoo creating games like Angry Birds that entertain the world, Eric Magicovsky could be anywhere raising \$10 million from 69000 people on Kickstarter to launch his Pebble smartwatch. Vicky Wu flies between LA and HK building “prosumer” demand for her latent fashions with ZaoZao.

This is the third wave of the digital revolution, where ideas can **change people's lives**, where anybody can change the game.

Where the future begins

The value of business lies not in what it does **today**, but in what it seeks to achieve **tomorrow**. That might seem a little idealistic, given the short-term obsession of many organisations with operational performance, yet it is the future that most interests investors and private owners who now dominate the business world, hoping to see their investments grow through future profits.

Most business leaders are “**heads down**” in a relentless battle to survive, to hang onto the status quo. But that can only lead to diminishing returns. The more enlightened leaders are “**heads up**” looking at where they are going, making sense of how the outside world is changing with every day, identifying the new needs and expectations, the new competitors and challenges, opportunities and possibilities.

The best businesses **go to where the future is**.

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They disrupt before they are disrupted. They sell before they are worthless. They recognise that existing success is increasingly driven by out-dated beliefs and , a once-profitable niche that has now become the mainstream, a previous innovation that has been widely imitated, an economy of scale that has become irrelevant, a temporary monopoly that is no more.

As we explore the shifts and trends, the white spaces and technological breakthroughs, the new attitudes and behaviours, we need to learn to think in a different way.

The **change is exponential**. So we need to jump on whilst we can. Catch the new wave, or better still, learn to ride with the successive, and ever more frequent waves of change.

When we look around us at the companies who are challenging established positions, shaking up conventions and waking up tired consumers, they are not the big companies but the small ones. They are the **speed boats**, fast and flexible, rather than **super-tankers**, steady and stable,

The challenge is extreme. It demands that we rethink where we're going, and how to get there, rather than handing on to what made us great before.

In a fast and connected world, complex and uncertain, a winning business cannot hope to keep doing what it does, and do better. It has to do more, or different.

We are all in the ideas business

In Hong Kong there is a great 100 year old business that explains our future potential. For much of the last century **Li and Fung** was focused on low-cost manufacturing of textiles. That was until salary levels grew, and places like Indonesia were able to achieve much lower cost bases. The business reinvented itself as a **virtual resource** network, helping brands to find the right partners for the business, in terms of expertise, quality, and price.

Walk into a Li and Fung office in Sao Paulo or Istanbul, Barcelona or Toronto – or any one of their 300 offices in over 50 countries - and the small team of **sourcing experts** will help you find the best designers, manufacturers and distributors for your brand. Every pair of Levi jeans you buy are made with the help of Li and Fung, and around 40% of the world's textiles. If you need finance, they'll find you an investor, and if you need merchandising, processing or customer service, they can find the right partner for that too. Their business model can be based on fees, on commissions, or an agreed mix.

Actually, all you need is a **good idea**. Take it to Li and Fung and they can make it happen with you.

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Those ideas are not the product of years of experience, of big organisations with thousands of employees, of rigorous “big data” analysis, and scientific labs. Those things can help, but they can also hinder. Fresh perspectives beat conventional wisdom, youthful insights connect with millennial markets, right brain intuition is an equal to left brain intelligence, and collaboration can achieve this even better.

And we haven't even started on Steve Jobs. From the revolutionary Apple Mac that transformed computing. The iPod, the iPhone, the iPad. Not just incredible products with beautiful designs, but new business models creating entirely new markets, **changing the world**.

Or James Dyson, with his bagless vacuum cleaner. Ratan Tata, with his dramatically affordable Nano car. Amancio Ortega with his ready baked Zara clothes. Or further back in time ... Henry Ford, Marie Curie, Thomas Edison, Pablo Picasso, The Beatles, Nicolas Hayek, Ted Turner and many more.

Great ideas are the result of **better thinking**.

We need to think - to see things differently, and do different things – to open our minds to new possibilities, to outthink the new competition.

- **Think bigger** ... redefine the markets we are in, reframe our brands in more useful contexts, recreate the strategies for success
- **Think smarter** ... refocus on the best customers and categories, reinvent every aspect of our business, realigning with new partners.
- **Think faster** ... reenergise people with new ideas, resonate with customers new priorities and aspirations, and achieve more together.

Beyond the connectivity and applications, the social networks and artificial intelligence, we now live in a world that is **more equal and accessible**, where people are more knowledgeable and capable, than ever before.

It really is a world limited only by our imaginations.

Back at the moonshot factory of Google X, they have a mantra which says “Why try to be **only 10% better**, when you could be **10 times better**?”

10 times better provides much more than a temporary competitive advantage, it has sufficient capacity to change the game. The effort required to think in a bigger frame, to innovate things more radically, to deliver them faster, is relatively small compared to the benefits.

Google X calls this moonshot thinking.

But we need to do more. To **think different**.

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Apple, or rather its ad agency Chiat Day, conjured up that famous Think Different slogan, but it matters more than ever.

The best companies today don't just play the game, they change the game.

Their leaders out-think their competitors by making more sense of a chaotic and uncertain but incredibly exciting future. They have a better vision, about how they can shape that future to their advantage. They think bigger and better, smarter and faster. And they make it happen.

Be bold, be brave, be brilliant.

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Peter Fisk is an expert advisor, keynote speaker, and bestselling author. He has over 25 years of experience working with business leaders in every sector across the world. He is professor of strategy, innovation and marketing at IE Business School. Explore more about his experience, insights and ideas, case studies and workshops at www.theGeniusWorks.com