
The 10 Minute Mentor Podcast

Our ongoing series on leadership in the age of disruption

Episode 6: Learning from Failure Part II: Taking Disruptive Breakthroughs to Market

Guest: Phil Gross, Executive Mentor, Merryck & Co Americas
Former VP & GM, GE Plastics, and SVP, Warner-Lambert Company

Host: David Reimer, CEO, Merryck & Co Americas

TRANSCRIPT

David Reimer: Welcome to Merryck & Co.'s 10 Minute Mentor Podcast, part of our ongoing series on leadership in the age of disruption. I'm your host, David Reimer, CEO of Merryck & Co. Americas.

Today's episode picks up the second half of our conversation with Phil Gross, former senior executive at GE and, where this story picks up, the President of a new business unit within Warner-Lambert. Ultimately, Phil retired as global head of strategy for Warner-Lambert. Phil, you've been graciously candid in discussing failures that taught you a lot as a leader. I wanted to ask you about one more: your adventure in helping a Fortune 50 take a disruptive breakthrough to market.

Phil Gross: The last example is probably one that I would consider the biggest failure that I've been involved with and it has to do with a project that was initiated by Warner-Lambert.

This was a very big decision by the company to expand its scope. Warner-Lambert, at the time, had basically three legs. It was a pharmaceutical company, a consumer products company, making products such as Listerine and Roloids, and a confectionery company, making Chiclets and Halls cough drops. And they had developed an invention, quite by accident, that enabled one to convert starch into a plastic.

DR: The notion of creating biodegradable utensils and things like that to...

PG: Creating biodegradable utensils. At the time, there was a tremendous concern about the environment. One of the highlight examples were schoolchildren picketing McDonalds because of the foam clamshell that was being used with a hamburger. This potentially was a way to enable plastics to become biodegradable.

The company knew it had no capability in the plastics business. It went out and did a lot of work with some very high profile consultants and decided that this was worth a bet to try to provide a fourth leg to this stool that this company was. It also didn't know and should have known and I didn't know that there was a lot of information about environmental technology that it probably needed too. So the company went and made a big announcement that it had developed this, the stock price was affected and it went out and hired me to set this thing up and run it. My background was in plastics at the time. I had been running a number of large engineering plastics companies at GE, and not only did they have to hire me, but it was evident that I would have to hire a whole organization, 99% of which would have to come from outside the company because the company just didn't have the background in this.

DR: So, successful legacy businesses, breakthrough technology in an unrelated but conceivably

market-making business segment. And all outside talent to pull it off.

PG: We ran into our first problem, within about eight or nine months after hiring some good people. We all sort of knew that starch would not be a good plastic, even though it could be made to be plastic, because it could not stand being in water. And the thought was that you'd mix it with existing plastics and make them, quote, "more biodegradable."

A key learning after a few months, was that "more biodegradable" didn't mean anything. Things had to either be 100% biodegradable or not biodegradable at all. We also learned the second thing that we didn't know, that landfills aren't just landfills. The fact that if you take a banana and put it in a landfill, it's going to stay there forever. If you have something that can degrade, you have to put them in something called a special managed landfill or in a composting environment. Because if things degrade, they create water and the water goes down through the chain and it picks up toxins and you have a problem. So landfills are sealed and they're tombs. We had the problem of having to develop products that were 100% degradable based on this starch technology, but we also had to direct the final disposal of the end products that these plastics were going to be made into. So if you made a new clamshell for McDonald's, you then would have to collect that clamshell and dispose of it in an environment where it could actually degrade.

It was amazing to me looking back on this, that this one piece of knowledge that everyone took for granted was false. And when I say everyone, I'm talking about the highest paid consultants, the press, the analysts, everyone.

DR: So suddenly, you're not just one new business. You're actually getting into several new businesses in order to make this feasible?

PG: You're in several new businesses. It took us about a year to recognize the real extent of our problem. And the company decided, "Let's go ahead and see if we can solve this." We actually did, we actually did solve it. And the demand still seemed to be out there. In fact, we went back to McDonald's and asked them to pay a little bit more for this higher price technology, and I'm not talking about much more. It was pennies.

DR: So from two pennies to three pennies or something like that?

PG: They couldn't handle it. What we found was that despite this fervent desire for environmental effectiveness, there was no desire to pay anything for it. At that point we decided this thing can't go anywhere. And we actually had to shut it down after spending all this money and hiring all these people. If you look back now, here we are 25 years later, and people still aren't paying a heck of a lot more for environmental friendly items.

DR: Two things. When I go to Whole Foods or whatever, and let me qualify this by saying that I live in Portland, Oregon, so there's biodegradable utensils, etcetera everywhere here. Are these literally related to the work you were doing 20 years ago?

PG: Well, in some ways they are, and I've seen biodegradable utensils everywhere, too, and my reaction is, that's a scam. The popularity of the cause blinded, not only the management, but everyone who was involved in this, from finding out early enough what the true customer needs were. And one of the customer needs that wasn't identified early enough was price. And so popular causes can't always be translated into businesses.

DR: I think the other thing when I listen to you on this, Phil, the other thing is that sheer intelligence and sheer competence isn't a hedge toward making a really big mistake.

PG: No, it's not. And when you look at a business, to what extent are you relying on third party information to make big decisions? And I bring that up because in this case it understanding environmental technology, we relied on third party people to really understand it. And they signed off on what we were doing. Once we hired our own people, then it turned out we learned a lot more.

DR: There's a real danger, I think, that third party firms sometimes almost see their role as to validate the strategy of the CEO and leadership team.

PG: Well, in the case of management consulting, I think very often that's the case. And in an area that's new, and that has multiple variables, they may be as dumb as you are. Another learning was that despite the press and despite what you're trying to do in the financial marketplace, sometimes you have to start smaller because there may be more variables than you know about. When I look back at this project, we could have learned all we needed to know and spent probably one-tenth the amount of money.

DR: You've talked to us about getting blindsided in mining by geopolitical events. You've talked about the FTC shutting down a merger and having to redirect your whole strategy, and you've talked about the difficulty of making big disruptive bets. How have these, sort of, "crucible moments" impacted your overall attitude toward risk?

PG: It really hasn't. I think that risk is sort of in the genes. And certain people will take risks realizing there can be failure, and other people won't. What it did do is it expanded the role of developing back-up plans in my thinking.

DR: As you've been talking, I've been thinking about the fact that you're a pilot...

PG: Actually, I became a pilot while I was doing this particular job. I wish I had been one before.

DR: I've flown with you. And I know that it's just this constant environmental scan that you are doing, the whole time you're flying.

PG: Yep. Not only that, but the need for back-up plans when you're a pilot. The key strategy in flying safely is redundancy, and not only redundancy in the technology, but redundancy in your thinking. What am I going to do if this happens? What am I going to do if this happens? The question is at what level will you be able to absorb the risk? And if you can view yourself at the level at which you can absorb the risk, and say "Okay I can handle it", then you can go ahead.

DR: That's such a pragmatic notion – the idea of constantly challenging your own thinking with "what if's". Yet it's often overlooked. We like our leaders to project certainty and I think sometimes as leaders we run the risk of buying into our own certainty.

PG: How do you handle defeat? Because this clearly was a defeat. And it could screw you up, screw your mind up forever.

DR: One of the things in interviewing CEOs and boards over the last couple of years, in particular, where everybody wants to be innovative. Everybody feels like they need to be nimbler, they need to experiment more, they need to pivot faster, kind of all the buzz words. Saying all those things sounds great, and then you ask them how do you deal with failure in the organization? Quite typically you get long silences. Because the reality is in an awful lot of corporate cultures today, failure equals a black eye at best, and job loss at worst.

PG: Sure, sure. And the fact is in some failure people do lose their jobs.

DR: But if the message that you send to the organization is "if you fail, you will be fired." You can't say that and say we want to be innovative in the same breath, at least not with credibility.

PG: That's absolutely true and in fact, the key people in this particular project were all asked to stay on and play roles in the company that wound up being rather significant. While the management of the company might be criticized for the fact that it got into something it didn't know about well enough and maybe moved too fast in terms of moving into a marketplace that was unknown, it has to get a lot of credit for how it handled this defeat in terms of not changing the minds of its people, in terms of being willing to take risks and not being punitive for trying to do something great. And looking back, that has to do with, in many ways, with the culture of the company.

DR: Phil, so first of all, as a guy who... I think we first had the conversation about redundant systems and what would I do if as you were flying me over the Florida Everglades and I remember looking down at that completely roadless, trackless area, thinking, "Great, what would I do if?" But no, look, I appreciate you taking the time to...

PG: My pleasure, I hope...

DR: Share your thoughts and your stories.

PG: I hope it helps someone somewhere along the line.

DR: I'm sure it will.