

Conference Review: International Strategic Leadership Forum Conference, 1998: "Strategy In Practice ... Making It Happen"

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The Strategic Leadership Forum held its International Conference on the theme of "Strategy In Practice...Making It Happen". Core themes were: 1) converging forces of technologies are enabling new customer focused organizations, 2) the interconnectedness of actions in the world (particularly in reference to the Asian meltdown), 3) the move toward knowledge based organizations, and 4) the fostering and demanding the redesign of business models on an ongoing basis.

Both **Don Tapscott**, Chairman of the Alliance for Converging Technologies and **Don Peppers**, author of the ***One to One Enterprise***, spoke of how in the new digital landscape, organizations can take advantage of digital capabilities to see and serve their customers differently. These capabilities allow enterprises to actively and continuously partner with customers to engage them intimately in the design and operation of an organization. By engaging customers "1 to 1", learning their profiles, gaining their suggestions and using production capabilities to continually refine outputs mass customization, organizations can inexpensively provide very specific customer goods and services designed specifically for that customer. This can be done at a cost that is actually less than the industrial age mass production approach can provide.

Tapscott noted that in the digital economy, not only can we do things differently, but we need to reinvent our organizations' relationships to technology and to the network of suppliers and customers as well. The technology has to serve the relationship. The new networks, both within and between organizations, are malleable to permit lots of types of different connections and configurations.

Peppers emphasized that when you have new capabilities you need a new kind of marketing technology. The new technology provides an opportunity to develop "lifestyle" relationships with your customers, establishing a learning relationship with the customer, taking information and continuously creating something new meet the ever moving target of the customer's needs. This entails identifying and interacting with customers - that is, remembering them. The next step is treat different customers differently, recognizing that different customers have different needs and values from

the enterprise. First, the enterprise needs to rank customers by their value to the enterprise, and then to differentiate their needs. The new priority is **managing customer relationships**. This enables the enterprise to keep its customers and in the end, its costs go down, with less wasted effort.

Both **Chris Patten**, the last British Governor of Hong Kong, and **Jeffrey Garten**, Dean of the Yale School of Business discussed the chances of volatility in the world during the next decade. One of Patten's striking remarks was that globalization is not new, but technology allows the results of expansion of world trade to be speeded up. Within that context, the Asian economies are recovering the ground that they had in the early 20th century when Asia had 32% of world trade. Patten saw the collapse of the Asian economy tied to the fact that too many Asian economies lost sight of their fundamentals, began to believe their own propaganda - leading to bad loans on bad risk projects, and the fact that as economies move from quantity to quality growth they need to move towards pluralism and to put aside cronyism. The dilemma is that Asians are used to success. The question is how will they cope with contraction. These new problems are complex and will take time to sort out, and that no one, such as Japan, is able to take the lead in the region. This leaves an Asia, which has built great capacities, in need of transformation politically, socially and financially as it discovers that market forces will have to drive its change.

Jeffrey Garten took that theme even more broadly. He said we are living in a time characterized by being the first era where major powers are not vying for supremacy, where information technology is making the world one seamless network, where there is an aging population all around the world and where there is a massive transformation from government guided to market guided economies. This is a world of inherent instability, where if there is a weak link it is felt rapidly, enabled by technology. This is a world with numerous weak spots, many rooted in either a weak, or rigid institutional infrastructures - which are vulnerable to pressures from anywhere around the world. The past collapses of Mexico, and Brazil are examples of this pattern. The current Asian financial collapse is also a product of various market forces impacting a vulnerable set of economies. According to Garten, the best corporate strategy is not to ignore history, and to recognize that we are in this era of instability the only way to go into emerging markets is to you go into them for a long time. Over the next decade the national institutions and international financial infrastructure may develop to build standards and stability into the system.

In this world of change new companies are emerging all the time. Some succeed and other do not. **Kathleen Eisenhardt**, author of ***Competing on the Edge: Strategy As Structured Chaos***, spoke of her research on 100 companies and their ability to change. The successful ones see their advantage as temporary. Their route to profitability is built on a group of core behaviors which enable them be complex and surprising, innovative and grow market share.

- < Time Pacing: Dynamic companies manage how often they are doing things, paying attention to the rhythm of things. This is in contrast to static companies that are driven by events. Time pacing is effective because "it takes control of the game." Intel's scheduled release of new editions of computer chips keeps them in control and the competition off balance.
- < Real Time Information: This means not looking too far into the future or the past. Successful companies use more information, understanding their current business. Through this focus they gain the ability to sense early warnings, develop team skills, and build intuition.
- < Optional Organization: These companies operate in a semi-structure, neither bureaucracy nor chaos. They operate within the context of a few rules indicating what they absolutely must do. *With too many rules you cannot move*, and *with too few you do not move*.
- < Tactics for the Future: Companies use a wide variety of low cost probes to get a glimpse of the future. This involves a mix of approaches such as: Brainstorming, bringing in futurists, strategic alliances, launching exploratory new products, and scenario planning. They spend a lot of time talking about the future, but spend most time on today. Their Future Think is in small doses. People learn best in a variety of ways and with small doses.
- < The Past Is Very Important: They take things out of the past and recombine them for the future. The focus on new features of the older products.

These companies start with their current business, get it right and then move to the future. To gauge effectiveness, they measure both their drivers and their outcomes. Their leadership makes key decisions on which businesses to keep and develop, shaping and reshaping businesses to the market, mapping businesses to opportunities, putting the right people in the right businesses with the right measures and the right key reference points. Leadership also has a "sound bite" role, since its people need to have a feeling they are being led, otherwise it is too crazy at the edge of chaos.

Katherine Hudson, President and CEO of W.H. Brady Company, corroborated the edge of chaos model of leadership driven simplicity. Her keys to transforming her company were moving from negatives on how things cannot be changed to a positive - Yes things can and need to be different. As she put it, going "From No to Yo!" Her keys were to focus on your own business, create a simple common sense framework, measure what you are doing, and celebrate success. "It's not so much the words but the actions. Not the elegance that wins but the simplicity."

Richard Pascale, author of *Managing on the Edge*, and **Steve Miller**, Shell Oil's Chairman of the Oil Products, explored how Shell is breaking out of its behavior and thinking patterns as it moves beyond its existing repertoire. The questions for Shell

were - "How do I get the organization moving," and "How do I get urgency and change in the organization?" Shell is a huge, dispersed system that realized it needed to redirect and reshape itself to be successful in a fast paced, globally linked world. Senior leadership saw where it needed to go strategically, but it could not break through its middle management's focus on continuing current operations. Shell eventually realized if it was to change Shell, it had to break through its "equilibrium" or "Death Layer." Shell leadership saw the "equilibrium" vulnerable at the Front Line and made the decision to go directly to work with elements of its "front line" around the world. These are the people who see the problems, own the problems and have a vested interest in the solutions.

This reorganization from the top creating leadership from the bottom has been going on for almost two years. Senior leadership goes around the world, teaching, coaching and environment setting. As front line staff learn to reshape their local organizations change is gradually reverberating throughout the middle management of Shell. Senior management goes through its own significant challenges itself as it carries out its change strategy. It must "walk its talk" to be credible to the people it leads and finding out how to let go of traditional control. It is also continually finding out how well it is implementing its own strategy. Steve Miller emphasized that Shell's approach is applicable for fast moving change, not for a situation which is in a continuum.

However, fast moving change is becoming the dominant condition for many organizations, and Shell's approach is an important new paradigm to consider.

Adrian Slywotsky, author of *Value Migration* and *The Profit Zone*, said that "The Big News Is that Creativity is Back in Business." He focused on how to use business design to create sustained profit growth. Slywotsky's key questions were: "Where will we be allowed to make profit in this industry?" and "What is the next generation business design." Slywotsky's point is that we must look at our organizations and see how profits actually happen. Slywotsky's concern is not market share, but profitability. He sees profitability coming from the design and operation of the business model. By rearranging the business model, Coca Cola became a value chain manager instead of a syrup producer and licensor. That gave it its competitive edge which lasted usually lasts four to five years before other competitors copy it. The bottom line is that every organization needs to review its business model to proactively create advantage. Characteristically this involves refocusing on subsets of its customers repertoire and building on those customers who will drive profits next.

Reinventing organizations focus on profitability and the customer. They typically move being market share focused to being profit centric. They also shift from being product centric to customer centric - identifying the important customers in their system and asking the question of "How do I become the preferred choice by customers. Finally, reinventors move from concerns over their existing core competencies to "Finding out

what competencies will I need to satisfy customers going into the future."

There are many varieties of tactics to achieve this strategic shift. In the end though, Slywotsky is calling for a basic for people in organizations to have a strategic understanding of their customers. According to Slywotsky, this new redefining and rediscovery of strategy is not only incredibly profitable but also incredibly fun.

Another reference to this change in business design came from **Bill Miller**, Vice president for Research and Business Development of Steelcase, Inc. and **Langdon Morris** of WDH Consulting Group. Steelcase sees its challenge is managing its knowledge assets to create the industry's dominant design. The emphasis at Steelcase was to having R&D keep focus what its calls "leverage", or moving to a point of action. To do this Steelcase uses its R&D to link operations, development and research. New platforms or architecture are developed linking product families, services and distribution systems for business results. This new architecture is a key part of driving new capabilities throughout a continually renewing Steelcase organization.

Closing the conference was Alan Webber, co-founder of the magazine, ***Fast Company***. Webber saw that we make be at a new inflection point. In 1980 the thrust was "High Quality and Variety", in 1986 the "Financial Revolution" happened, focusing on where the value really was, and in 1992 Organizational Reengineering was the defining message. The next generation of new conventional wisdom is beginning to take shape. Characteristics to this new organization are: 1) it competes on ideas, 2) it creates value through risk (There are more millionaires 50 years and under today than 50 years and older), and it competes on internet fast speed, values and gender.

To create a successful organization over the next five years requires creating an environment where work is personal and built on "talent." In this new organization, money isn't everything, and talent is the most scarce commodity. Companies have to realize that they have a short term lease on that talent. As Marc Andreesson of Netscape put it, "The only people who work hard are people who want to."

A related shift is to understand that the key to technology is to make it social, i.e. the Internet. This is a movement from monologue to dialogue and co-creation of the organization with its customers and supply chain in a world wide community.

A further element is knowing that "Knowledge is Power." Knowledge is not a static thing, but must be constantly refreshed and renewed. When knowledge is the most important element in the organization, that focus changes the path the organization goes down on. Awareness changes the world the organization considers important. One example is the insurance company Skandia, which has developed its Future Center and brings an inter-generational perspective and longer range time horizon. Another example is Siemens, which has created young mentors for older senior

executives, bringing into play influence from the young to the old.

The successful company knows how to treat its Knowledge Assets (its people) by cultivating an environment in which they can thrive.

Success and threats take on new meaning. Competition can come from anywhere and success is often based on changing the rules and therefore changing the game. The short of it is: 1) Identify your competition and 2) Change the rules of the business so that your game plan wins.

The key question to answer in this new era where anything is possible is "What is worth doing." Some lens for seeing what is worth doing are: 1) Developing Grass Roots Leadership, 2) Total Teamwork: shared values, capabilities, for creating a unique space where people can share, 3) Humane Technology, where technology and people have to bond, and 4) Sustainable Growth, becoming champions of growth which sustains the environment and people instead of burning them out.

This vantage point is one of the Big Q, the notion of quality that takes on the entire environment of what it takes to make an organization, not from just the point of reducing waste and increasing efficiency, but of being the best environment for all involved: the organization, its employees, its customers, its suppliers, and the world in which it operates. We are now at a time of opportunity where we can leverage our past understandings with new technology and the talent of the emerging workforce to fulfill the promise of creating quality organizations in a sustainable quality environment.