

# Quick takes

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*These brief summaries highlight the key points and action steps in the feature articles in this issue of Strategy & Leadership. Larry Goodson, an S&L contributing editor, is a veteran strategy consultant based in St. Louis, Missouri. He is a Partner at LDGA Consulting, which offers Lean operations and strategy development services ([ldgoodson@msn.com](mailto:ldgoodson@msn.com)).*

## **A powerful diagnostic tool for 21st Century management**

*Stephen Denning*

There are currently two strikingly different ways of running a corporation in a coherent and consistent fashion. In one – the predominant mode of 20th Century management refined over the last 50 years – the goal of the firm is to make money for the firm and maximize shareholder value. This goal leads to principles and processes that emphasize stable structures that control staff, contain costs and increase revenues.

By contrast, for 21st Century management – the pioneering mode of Agile enterprises and of leading Silicon Valley firms – the goal of the firm is to create customers. This goal leads to principles and processes that enable agility as well as innovation.

Firms operating in this customer-focused way have been transforming everything society does – how we work, play, shop, access knowledge, learn, entertain ourselves, communicate, move about and stay healthy.

### **A diagnostic tool: the PPP Worksheet**

The Principles, Processes, Practices (PPP) Worksheet is an analytic tool that can help firms diagnose their current status in relation to the two systems of management. It can be applied either to the entire organization or to any part of that organization.

The tool provides a kind of MRI scan of the organization. With the use of the tool, managers can see at a single glance the health of their organization, or any part of it, along with clear implications as to where the problems are and how to go about fixing them.

### **Using the diagnostic tool**

The PPP worksheet can enable leaders to map where 20<sup>th</sup> Century or 21<sup>st</sup> Century principles are being practiced, in their own business unit, entire organization or leadership team.

### **Experiential learning**

Use of the PPP worksheet can also offer executives an opportunity to practice experiential learning. It is hard for executives steeped in 20th Century management thinking to understand and digest the mindset of 21st Century leadership and management without some kind of hands-on learning.

### **Diagnosing an organization over time: a case example**

The PPP Worksheet can be used to picture retroactively what happened in a major Silicon organization that had essentially completed the transition to 21st Century management. However a change in the senior management sparked a return to 20th Century management. After several years, the reversion was

visible, and was accompanied by a significant decline in revenues.

### Pinpointing the problem in stalled Agile implementations

Where firms are stalled somewhere in between 20th Century and 21st Century management, the PPP worksheet can help pinpoint the location, nature and extent of the

problems, as well as what might be done to correct them.

### Mapping the transition path to 21st Century management

The PPP worksheet also enables you to see the possible transition path for a firm from 20<sup>th</sup> Century to 21st Century management.

## Interview

### Erich Joachimsthaler: How the shared value “interaction field” business model works

Brian Leavy

As the digital revolution continues to advance, driven by new technologies and business model innovations, the implications for companies that are seeking to adapt are becoming more and more apparent. According to strategist Erich Joachimsthaler, author of *The Interaction Field: The Revolutionary New Way to Create Shared Value for Businesses, Customers and Society*, the future being unleashed by this level of data-centricity will be one of “untold and unimaginable value creation and prosperity.”

**Strategy & Leadership:** You believe that we are entering a new phase in the digital age, an era of even greater connectivity.

**Erich Joachimsthaler:** Every decade or so, we enter a new phase of development, where a set of technologies matures at the same time and enable new value creation and growth.

**S&L:** In the face of this development, why do you now see the currently prevailing “platform” model of digital business as “transitional at best”?

**Joachimsthaler:** Platform businesses, like Uber and Airbnb, served a useful purpose for more than a decade now. Too many platform models are still mainly transactional and miss the enormous opportunities that more interaction-oriented business models can open up.

### The new “interaction field” business model

**S&L:** The business model you believe will help companies to succeed and thrive in

this new phase is the “interaction field model” which places “the creation of value through data” at its heart. What are its distinctive characteristics?

**Joachimsthaler:** They create shared value by solving new or intractable problems for customers, the industry or society. They create shared value by designing for interactions across the entire relevant interaction field. They create shared value by orchestrating an open, comprehensive interaction field that deeply integrates into the lives of participants.

**S&L:** What are the primary characteristics of interaction quality, and how can they be infused into the interaction field building process?

**Joachimsthaler:** Interaction quality has three dimensions: meaning, reciprocity and value. Meaning relates to how the exchanges or interactions deliver on the intent of the business or purpose of the brand. Reciprocity is the mutuality of the exchange, and value measures the benefits the system creates.

**S&L:** Finally, what do you see as the main implications for strategic positioning and brand building in this new “world of webs” and collaborative interactions?

**Joachimsthaler:** In a world of webs, the traditional boundaries of industries or categories have disappeared. Hence, strategic positioning by seeking differentiation relative to competitors as a key success factor will be less important.

## **Sprinting to digital transformation: a time boxed, Agile approach**

*Haydn Shaughnessy and  
Fin Goulding*

Many companies facing structural or product/market problems are trying to fix these with some form of transformation process. When things go wrong, a Transformation Sprint presents an opportunity to put things right, quickly.

The Transformation Sprint methodology is applicable to transformation design, transformation fixes and transformation management. Its main benefits are:

- It uses Agile techniques.
- It radically reduces risk.
- It helps test-run new ways.
- It provides a customer-focused environment.

### **Core Agile concepts**

**The Agile process of incremental change:** Agile transformation processes are a learning journey. In an Agile setting, the plan should unfold along with experience.

**The concept of a sprint:** The sprint process is essential to capturing the benefits of the Agile course of incremental change.

### **Transformation planning**

In transformation planning, the AS-IS state represents the current operating model of the firm. Teams then posit a future or target operating model (TOM).

### **The Agile Transformation Sprint**

The Transformation Sprint is four weeks long. The sprint's focus should be on:

1. Systematically identifying the problems that a dysfunctional operating model causes in a business transformation.
2. Specifying the top ten issues for action.
3. Creating a draft of a future operating model that identifies where the firm can generate knowledge about its future needs.

4. Aiming a solution design at one underlying structural problem causing the dysfunction.
5. Helping to design a better way of creating value and testing new ways to work.

### **A Lighthouse Project**

One of the techniques of the Transformation Sprint is to scale a transformation back to a critical, short term Lighthouse Project that can provide useful lessons about the skills needed to manage structural change.

### **The six phases of the Sprint**

**Phase 1:** Perspective gathering. What is the firm's operating reality?

**Phase 2:** Team members access and begin analyzing a range of business strategy and technical documents.

**Phase 3:** Draft the Issues Document, a list of significant issues from the interviews and the documentation.

**Phase 4:** Describe the company's AS-IS state and any emerging target operating model(s).

**Phase 5:** Playback. This is a well-choreographed account of everything that the team has found out, coupled to critical decision points.

**Phase 6:** Outline design of a Lighthouse Project that will address dysfunctionality through structural change, and set up the transformation for success.

### **It is time to change!**

With the Transformation Sprint we have developed and implemented a method that is time-boxed, therefore fast and inexpensive. We also advise that companies do a Sprint every six months, to keep their digital programs on track.

## A framework for confronting a pivotal change challenge

David Komlos and David Benjamin

When the Covid-19 pandemic hit, leaders in every organization had a crash course in confronting a defining moment, a crossroad when you come to the existential realization that you must immediately do things differently if you want to survive. These moments usually have three things in common: the team encounters heightened complexity; they lack clarity on what to do; and they have weak alignment on how to proceed. To address this challenge, we offer an experience-tested framework for confronting defining moments of high complexity, low clarity and weak alignment.

At its core, this framework is based on four key principles:

1. **A unifying goal.** A unified goal is necessary for team formation as well as a proof of correctness for the conversations that will take place during “collisions” between team members.
2. **A requisite variety of people.** Multidimensional challenges can only be addressed by tapping into groups with a diversity of talent that matches the many dimensions of the challenge.
3. **A group-wide communication network** that connects everyone on the team.
4. **Repeated, high-quality collisions:** intense, candid, issues-focused interactions between all individuals.

### The case of LPL Financial

**The need to course correct.** LPL Financial used the framework to reverse the decline in its Net Promoter Score and surpass the scores of some of its top competitors.

**A defining moment.** After listening to customers vent their frustrations with service, CEO Dan Arnold and senior

executives realized the company had lost its client-centric focus.

The challenge question: “What must we do starting now and over the next two years to optimize our entire service model to turn every independent financial advisor customer into an advocate of LPL?”

**A requisite variety of people.** A team of 70 carefully chosen people – including EVPs, SVPs, and others from across its key businesses and support units, an external subject matter expert on Customer NPS, an expert on financial advisory services and an expert from one of the global systems integrators convened in smaller groups. Using the framework, the team redesigned LPL’s service model and shifted their culture to put customers at the center of everything.

**A group-wide communication network that connects everyone on the team.** LPL included some of its customers – the financial advisors it serves – and went one step further by also including members of the advisors’ administrative staff.

**Repeated, high-quality collisions.** After meeting in an intense two-day process covering 12 key topics, LPL Financial organized its implementation efforts around three workstreams – technology, service and continuous improvement – with clear projects, owners, timelines and resource allocations.

**Results.** One year later, the firm had mobilized around a mission statement that put their financial advisor customers at the heart of everything employees do. The way LPL employees viewed service changed from being the Service Center’s responsibility to being everyone’s responsibility.

## How vigilant leaders prepare for a turbulent future

George S. Day and Karissa Kruse

When the Covid-19 pandemic struck some organizations were more vigilant and better prepared to absorb the shock and are emerging stronger. The practices of these vigilant organizations enable them to be more adept at anticipating whatever surprises are coming next.

Organizations that practice vigilance have leadership teams and engaged boards of directors that take the long view. They apply a collective capability featuring curiosity, candor, openness to diverse points-of-view and a willingness to challenge comfortable assumptions.

Vigilant firms are distinguished from their under-performing vulnerable rivals in four ways:

- First, their leadership teams demonstrate a strong commitment to the practice of vigilance, through an external orientation and the exercise of collective curiosity.
- Second, they invest in foresight activities, through foresight units and hubs for collecting weak signals, combined with disciplined scanning and the use of methods for exploring market ambiguities.
- Third, they deploy flexible and adaptive strategy-making processes.
- Fourth, the firms coordinate and share information across organizational silos, and there is clear accountability for receiving and interpreting weak signals.

Vigilance is rewarded when an organization is able to move faster than rivals once the ambiguities shrouding the weak signals of potential threats or nascent opportunities are clarified.

### Case: Sonoma County Winegrowers

The Sonoma County Winegrowers of California (SCW) offers an example

of how to exercise vigilance in response to the looming threat from climate change and other risks. Their preparations helped them to respond quickly when the wine growing regions of the state were assaulted by a cascade of adverse events in 2020.

### Cross fertilization in a think tank

To better anticipate and surface innovative solutions to future challenges, in 2017 the leadership of SCW created a forward-looking think tank, bringing together wine growers, scientists, environmentalists, immigration specialists, economists, small business experts, marketers, wine business leaders and lawyers.

### Why vigilant organizations are better prepared

The wine growers of Sonoma County are better prepared for the increasing turbulence in their industry than their slower reacting and more vulnerable peers. Their initiative puts into practice each of the four drivers that distinguish vigilant from vulnerable organizations:

1. **Leadership commitment to vigilance** requires an openness to being attentive to weak signals from diverse sources, encouraging others in the organization to explore issues beyond their immediate domain and thinking outside the box.
2. **Investments in foresight** activities are made systematically by vigilant organizations to enable a continuous scanning and monitoring of the relevant future scenarios they have developed.
3. **Strategy making processes** of vigilant organizations practice highly adaptive “outside-in” and “future-back” approaches.
4. **Within vigilant organizations coordination and accountability** for receiving and interpreting

weak signals is supported by an organizational norm of sharing information readily. This fourth driver of the organizational vigilance process enables and

reinforces the other three process drivers.

## **How business is adapting to COVID-19: Executive insights reveal post-pandemic opportunities**

*Cindy Anderson, Christian Bieck, and Anthony Marshall*

In the midst of the COVID-19 epidemic, the reality for businesses has radically shifted.

Agility is not aspirational – it has become existential. This report integrates results from multiple proprietary surveys of executives across the world conducted from April through August 2020

### **Five insights from leading executives**

Our research suggests five key discoveries for the post-pandemic business landscape.

#### **Insight 1: Digital transformation was never just about the technology**

The COVID-19 pandemic has accelerated digital transformation at 59 percent of organizations surveyed, and 66 percent say they have been able to complete initiatives that previously encountered resistance.

#### **Insight 2: The human element is the key to success**

While executives plan to expand almost all tech competencies during their future digital transformations, the secret to success lies in human resources.

#### **Insight 3: Traumatic stress has hijacked corporate strategy**

Executives are tasked with defining their organizations' vision. But a focus on internal operational capabilities, may be taking attention away from the customer service experience at a time when it could be critical.

#### **Insight 4: Some will win. Some will lose. But few will do it alone**

The COVID-19 pandemic has not impacted all organizations and

industries equally. A number of large enterprises that can operate with agility have been able to outperform. There is also greater reliance on platform business models and partner networks,

#### **Insight 5: Health and safety are new keys to sustainability**

Before coronavirus, sustainability strategies were largely centered on environmental issues. Now, faced with a human health crisis, environmental sustainability became joined with issues of personal safety.

#### **Where to from here?**

The pandemic was a wake-up call that the unexpected and the unlikely are more tangible and plausible than anyone previously anticipated. For many, it has been a bitter reality: painful, costly, still unresolved. For a few lucky others, it has offered an unforeseen windfall; one that some organizations have struggled to capitalize on.

Either way, executives must accept that pandemic-induced changes in strategy, management, operations and budgetary priorities are here to stay. Agile businesses are on the leading edge of a self-reinforcing process, promising even greater acceleration ahead.

Organizational complexity remains the biggest hurdle to progress. More than twice as many executives mention it as a barrier today as in the past. Another related obstacle: employee burnout.

#### **Take action now**

In the race for competitive advantage, businesses need to take action in three critical areas in order to survive and flourish:

- Lead, engage and enable the workforce in new ways. Apply AI, automation and other exponential technologies to make workflows more intelligent.
- Focus on supply chain resiliency, cybersecurity and adoption of automation and AI.
- Improve operational scalability and flexibility, including the prioritized use of the hybrid cloud and moving more business functions to the cloud.