Quick takes

Catherine Gorrell

These brief summaries highlight the key points and action steps in the feature articles in this issue of *Strategy & Leadership*.

Learning to be a leader
Robert J. Allio

Organizations need to stop investing in spurious exercises that purport to teach leadership and instead find ways to enrich and improve their leadership learning practices. Why? Because, although leadership cannot be taught, paradoxically, leadership can be learned. The wisest strategy for developing future leaders entails selection of high-potential candidates, assignment of leadership challenges to them and careful mentoring and monitoring of their progress.

Here are the fundamental components of leadership development.

Establish a leadership identity and persona

A leader's identity or persona comprises the leader's values and beliefs, language and behavior – an image manifested by how he or she acts. How leaders perceive themselves – their self-concept – and present themselves will determine their effectiveness as leaders. How they think, speak, act and are perceived makes a critical difference in how effective they can be! Note too that the persona must evolve from that of a manager or individual contributor to that of a leader as he or she assumes greater responsibilities and deals with greater complexity, diversity, ambiguity and uncertainty.

The power imperative

Whatever other personal traits the leader may possess, the one absolute prerequisite is the judicious exercise of power – specifically, the power to change the way followers think and behave. To lead, he or she must tap into power that has its genesis in the leader's position, reputation, resources, expertise – and most crucially in the leader's ability to tell his or her story. Leaders promote their power through rhetoric.

Acquire relevant leadership knowledge and skills

Case histories of leadership can inform the leader about what works and what does not in different situations. But there is no universal leadership prescription. How to lead depends on the context: the resources available, the competitive situation and the needs of the stakeholders. Would-be leaders ultimately must create their own model and learn to operate skillfully and tactfully.

Bottomline: practice acts of leadership

Becoming a true leader begins with the creation of a personal leadership model: a philosophy, a value system and a realistic vision of how to carry out the process of leading. Potential leaders need to focus on developing signature strengths, paying less attention to weaknesses. They need to master the skills of language –

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the primary source of team-driven power – in order to build a political base, because leaders do need followers.

The path to mastery of any craft or art form is dedicated practice. If we concede that leadership is an art or craft and not a science, the prerequisite to becoming a better leader is practice solving increasingly challenging problems. Aspirants to leadership need to identify problems that need leadership solutions and practice leading in a variety of crucible situations. Practice is the key to learning how to become a truly effective leader.

How to make the whole organization "Agile"

Stephen Denning

With the advent of the Creative Economy of the 21st Century, in which rapid change and continuous innovation for customers are requirements for survival, a family of management practices – alternatives to the command-and-control hierarchical system of the 20th Century – has emerged. Leading firms adopt these practices to integrate horizontally, to actively interact with customers and to operate in a peer-to-peer mode with an ideology of enablement.

- This family of management practices, which include Scrum, Kanban, and Lean, is often referred to by the umbrella label, "Agile."

Although the benefits of adopting Agile practices are proven, core questions for traditional hierarchical companies exist:

- Can it work for non-software development teams?
- To what extent are Agile management practices occurring at scale in old and new firms?
- How effective are these management practices?
- Is it possible for the whole firm, particularly older firms with entrenched bureaucratic cultures, to become Agile?

A "Learning Consortium for the Creative Economy"

To investigate these issues, a study was launched. The Leaning Consortium (LC) the research arm of the Scrum Alliance, did site visits to Microsoft, Ericsson, Magna International, Riot Games, Menlo Innovations, CH Robinson, Barclays, BMW, Spotify, Cerner and others.

Main findings

The LC found that Agile management is already occurring in large-scale implementations in both new and old firms. Those firms reported more rapid implementation of innovation, greater responsiveness to real customer needs, improved customer satisfaction and higher staff engagement, and their managers and staff said a return to hierarchical bureaucracy is unthinkable.

The three most surprising findings of the LC were:

- Agile is primarily a mindset. Agile is a different way of understanding and acting in the world. The successful firms were "being Agile," not merely "doing Agile" within their existing management framework.
- Agile needs strong inspirational leadership. To orchestrate masses of self-organizing teams, leaders have to set direction while interacting with and adjusting to unexpected developments in the marketplace and also enabling autonomy for those doing the work.

- Big older firms have been able to adopt the Agile mindset. Doubts about the capacity of such firms to change their culture have proved unfounded.

Principal lessons learned from the LC site visits include:

- Acquisition of the leadership mindset takes time.
- Implementation of the goals, principles and values takes time.
- Firms are at different places in the journey.
- All the Agile journeys involved overcoming setbacks.
- All firms are adapting the practices to fit their own context.
- The management practices are both durable and fragile.
- The practices can create a passionate workforce.
- Agile enhances actual control.

A four-step blueprint for digital reinvention

Saul J. Berman, Peter J. Korsten and Anthony Marshall

Technology is already changing traditional industry structures and economics and is reinterpreting what it means to be a purveyor of goods and services, a customer and a stakeholder. With the emergence of the individual-centered economy (Everyone to Everyone or E2E), companies are already coordinating entire digitized business processes to better integrate customer experiences.

Digital reinvention goes much further

Combining multiple technologies, including cloud, cognitive, mobile and the Internet of Things (IoT), digital reinvention involves rethinking customer and partner relationships from a perspective of fundamental customer need, use or aspiration.

Benefits are derived from reinvention regardless of whether engagement involves direct provision of products or services or orchestration of products or services from partner organizations by way of a business ecosystem.

The most successful digitally reinvented businesses establish a platform of engagement for their customers, with the business acting as enabler, conduit and partner.

- Convoy developed an Uber-like app interface to give individual truckers a more efficient way to connect with individuals and businesses that want to ship goods. Warby Parker created a fashion experience – at low cost.

Readying for reinvention

For successful digital reinvention, organizations need to pursue new strategic focus, build new expertise and establish new ways of working (see Exhibit 3).

1. Strategically, focus on experience rather than production and view the organization within the context of an overall business ecosystem.
2. Operationally, commit to continuous calibration and improvement.
3. Technologically, embrace an effortless flip between self-owned or shared or rented capabilities to realize the full potential of new technologies either directly, or with the assistance of partner ecosystems.

Four steps

Four initial steps can set organizations on the path toward digital reinvention. Companies must envision possibilities, create pilots, deepen capabilities and orchestrate environments. Examples of leading businesses:

- Ford Motor Company is reinventing its business, evolving from a traditional automotive manufacturing company into a mobility services provider.
- Japan Post Service Company is reinventing its business, moving from traditional postal and financial services to become an integrated lifestyle support business by orchestrating comprehensive services for senior citizens.
- Under Armour Inc. is reinventing its business from traditional sportswear manufacturing to digitally-enabled fitness products and services.

Bottom-line

To thrive in a rapidly changing business environment, organizations will need to offer customers compelling new experiences, establish new focus, build new expertise and devise new ways of working. Leaders advance this process by embracing digital reinvention.

Four best practices for strategic planning

Nicolas Kachaner, Kermit King and Sam Stewart

At a time when technological progress is blurring industry boundaries, when globalization is expanding geographic horizons and when new competitors are arising from emerging and adjacent markets, it is more important than ever to be prepared strategically, to be able to look sideways, and to have a sound strategy firmly coupled with a system to translate it into action.

- Critics argue that strategic planning is a relic that should be relegated to the past and that organizations seeking to prosper in turbulent times should instead invest in market intelligence and agility.
- But don't put all your chips on agility. Agility is great, but it's more powerful when paired with preparedness. And achieving strategic preparedness takes a structured, organized thought process to identify and consider potential threats, disruptions and opportunities – which is strategic planning.

The problem and the correct prescription

Far too many strategic planning processes wrongly focus on analyzing the current market and current competitors, rather than searching for or anticipating disruptive new entrants or business models. Such analysis is unlikely to produce the insight needed for a competitive head start.

Strategic planning does not have to be, as its critics complain, overly bureaucratic, insufficiently insightful and slow. In short, the problem isn't strategic planning; it's that most companies lack an effective strategic planning process.

Four best practices

Although there is no one-size-fits-all approach to strategic planning, the companies that get the most benefit from their strategic-planning activities have four things in common:

- They explore strategy at distinct time horizons. Each horizon has different goals and requires different approaches, a different frequency, and the involvement of different people.
- They constantly reinvent and stimulate the strategic dialogue. With strategic planning, freshness is critical. A sustainable solution is to follow

the same process year to year but to refresh it with different questions each year. Such an approach breaks the compromise between process efficiency and fresh thinking. By focusing a standard process on *new* questions, the strategic dialogue will remain rich, because participants will have new analyses to consider and fundamentally different ideas to discuss.

- They engage the broad organization. To avoid groupthink of the same mindset and experience, they involve people from different backgrounds, generations, and geographies, thus an organization is more likely to surface alternative ideas and perspectives.
- They invest in execution and monitoring.

Adopting these four strategic-planning best practices can boost the ratio of insight to effort and align the organization around a strategy that is faithfully executed, constantly questioned, and regularly refreshed.

Interview
Lord John Browne: Beyond CSR – Why business needs to engage more radically with society
Brian Leavy

Lessons of past business practices, when intersected with future trends, show that companies must engage more effectively and successfully with the external world, including governments, but especially society.

Prior failed models

Strategy & Leadership: You now believe that the two models that have long dominated executive thinking on the role of business in society are no longer appropriate. Shareholder value is "fundamentally incomplete" and "CSR is dead." Why?

John Browne: Shareholder value, as a theory presents a false tension between serving stakeholders and shareholders. Companies that engage with the concerns of their stakeholders can generate sustainable, tangible value for shareholders.

Corporate Social Responsibility in contrast, was an admirable attempt to improve companies' relationship with society. At British Petroleum (BP), I was an early proponent of it. It forced companies to consider stakeholders outside the business.

But CSR has failed both companies and society because the initiatives are almost always detached from the core commercial activities. At best they distract attention from the vast societal contribution made by the day-to-day business. At worst they represent a doomed endeavor to get away with irresponsible behaviour elsewhere.

The way forward – a new model of "connected leadership"

S&L: The new model that you propose is "connected leadership." What do you mean by "connected leadership?" How do you see it addressing the main limitations of the two earlier models and being more sustainable?

Browne: "Connected leadership" means integrating societal and environmental considerations into core business strategy at every level of the company.

The logic behind this model is that the success of a company depends on its relationships with the external world, from customers and investors to the environment and NGOs. Every decision throughout the business has an impact on these stakeholders, and all decision-making needs to take this fact into account.

Connected leadership provides businesses with a framework for engaging with society that can be adapted to suit specific contexts and industries. But at its heart, it gives leaders four guidelines for future sustainability: understand your impact on stakeholders; incorporate them into your business strategy; apply management resources to engage with them and do so transparently, on their terms.

The value matrix: a tool for assessing the future of a business model

Vladyslav Biloshapka, Oleksiy Osiyevskyy and Marc Meyer

The lesson of business innovation is that a growth effort won't achieve its ultimate potential if it does not also embrace the business model possibilities provided by the innovation itself. So how can executives assess the efficacy and power of a business model for a new product or service innovation?

Business model's key characteristics

A business model is the essential mechanism that allows a firm to serve its customers while ensuring that sufficient profit is generated for sustaining its operations and providing a fair compensation for its owners. It has two essential components: the revenue model – types of revenues it generates – and the operating model needed to produce this revenue – including production processes, R&D, go-to-market approach, service strategy.

A business model's key characteristics are customer value – or "effectiveness" – and business value – or "efficiency."

- Customer value means doing right things for customers that they are ready to appreciate and pay for, and
- Efficiency is the process of translating customer value into profit.

So, how good is your business model?

The answer to this question requires a holistic strategic approach and methodology. First an innovator defines the revenue model and operating model for an innovation by answering two questions – how much business value and how much customer value is in the business model. Second, determine the relationship of the two dimensions because they are not always correlated.

- A firm can have a great customer value proposition that simply makes no money – an effective yet not efficient state. Conversely, it can squeeze profits from customers for only so long until they realize they are being used – an efficient but not effective state.

Value Matrix tool

Juxtaposing the two dimensions – business value and customer value – yields the Value Matrix, a practical tool for diagnosing the current state of the affairs in the firm's business model. The matrix quadrants are: Winner (Providing customer and business value), Loser (Providing neither), Giver (Providing customer value, sub-optimizing business value), Taker (Short-changing customer value, providing business value).

Sustainability

In the context of a business model lifecycle, the Value Matrix evolves. Thus, after a company moves into the Winner quadrant, staying there requires strategic decisions. Only by closely listening to the voice of the customer – as demonstrated by purchase intent, actual trial and repeat purchase – can a potential Winner position be distinguished from a potential Loser. And similarly, identifying gradual erosion of profit and capital utilization outcomes should produce a call to action for reflection on and redesign of the business model.

This process of constantly tracking customer and business value allows the Winner companies to understand the perils of declining customer value, weaker business performance and wake up to the need to reinvest in customer-focused innovation before it is too late.