

Larry Goodson

*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)).*

## Interview

### Thriving in the era of the “connected customer”

Brian Leavy

How can strategists and their companies learn to survive and thrive in this new “connected customer” competitive environment? Nicolaj Siggelkow and Christian Terwiesch address this question in their latest book, *Connected Strategy: Building Continuous Customer Relationships for Competitive Advantage*. They were interviewed by Brian Leavy, a *Strategy & Leadership* contributing editor.

**Strategy & Leadership:** Your new book, *Connected Strategy* aims to help strategists facing a world “where new forms of connectivity are transforming the way companies do business.” How does such a game-changing effect happen?

**Christian Terwiesch:** Connectivity changes at two different locations: between the firm and its customers; and between the various players in a firm’s ecosystem.

**S&L:** What do you see as “the fundamental promise” of a connected strategy and why do you emphasize that the key innovation lies more in the “revamping” of the firm’s business model rather than in the technology?

**Nicolaj Siggelkow:** The key promise is that a connected strategy can allow a firm to increase the customer’s happiness – or “willingness to pay” – while at the same time reducing the cost of creating this better experience. Consider ride hailing companies like Lyft or Uber. They have created a better customer

experience and they are able to create a ride at a lower cost than cab companies can.

**S&L:** By increasing the customer’s “willingness to pay” (WTP), while simultaneously increasing firm efficiency, how does a connected business succeed in breaking the traditional trade-off between superior customer experiences and lowering costs?

**Siggelkow:** By learning more about a particular customer a firm is able to personalize the offering and create a better fit between the needs of a customer and the available product/service.

### Creating connected customer relationships

**S&L:** The two central elements of a connected strategy are: a connected customer relationship and a connected delivery model, and you build your connected strategy framework around them. The first of these has four “design dimensions:” Recognize, Request, Respond and Repeat. Together, these form the connected customer continuous relationship cycle. Explain the cycle’s dynamics.

**Siggelkow:** A firm needs to start by recognizing a customer’s need – or helping customers recognize their own need. Then this information about a need has to be translated into an actual request for a product or service

that can satisfy this need – to the best extent possible.

**S&L:** Given that we have, as yet, “only seen the very beginning of connected strategies,” what are the two or three main messages that you would like your readers to take away from your new book?

**Siggelkow:** Don't start by focusing on technologies. Technologies clearly enable connected strategies to arise.

## Six strategies that define digital winners

*Karen Butner*

Among the companies that have pivoted to platform business models, embraced AI and pioneered other digital technologies, some have taken one step beyond the obvious, and they've inevitably taken intrepid risks. What is the secret to successfully leveraging platforms, AI and other digital technologies in today's digital race? What strategies and operating models are winning?”

The IBM Institute for Business Value (IBV) conducted a comprehensive worldwide study of 1,500 mostly C-level executives to learn about their investments, leading practices and cultures. One goal was to define the characteristics of organizations that developed successful strategies and operating models across industries and around the globe. These digital “Leaders” are winning on almost every front—from growth and profitability to successful implementation of digital transformation.

Additionally, IBM researchers identified three other groups:

- “Achievers” have high ambitions and intentions, but their performance falls short of Leader-level impact.
- “Followers” are active in some leading practices, but slower to respond to digital change.
- “Observers” are essentially not participating in digital transformation.

Don't start by focusing on data. Many firms are currently stuck, having collected a lot of data and not knowing what to do with it. Don't think that automating everything is the holy grail. We stress that Automated Execution is not always the best solution.

## The six winning strategies of “Leaders”

These Leader organizations had four self-reported attributes:

- Sustained industry leadership (now and in the next three years).
- Significant revenue growth (past three years).
- Significant profitability (past three years).
- Operations integrated with emerging technologies.

The six top strategies digital Leaders employ to perpetuate success are:

1. **Orchestrate digital ecosystems and platforms.** Leaders report that digital platforms are on the rise, with the potential for advancements in revenue growth and profitability.
2. **Build trust to build your brand.** Platforms also influence the nature of brands, which must adjust accordingly.
3. **Reimagine customer behavior.** Leaders reimagine the rapid shifts in customer conduct and personalize their experiences using rapid design and get-to-market techniques.
4. **Curate data that “thinks” and “acts.”** Leaders cultivate and curate data, turning it into immediate and actionable insights.

5. **Create an exponential learning environment.** They implement exponential learning—both human and machine—across the entire organization.
6. **Foster a culture of inclusion.**

Finally, they expand networks of employees, partners and customers as they co-create customized experiences for all. Leaders understand that bold moves require sharing a compelling vision and creating a united, inspired and diverse organization.

### Interview

#### Digital maturity – the new competitive goal

David Rader

Digital transformations are often approached as a discrete set of projects or investments. The authors of *The Technology Fallacy*, a team of researchers and consultants, present a compelling alternative: a learning journey rather than a time-boxed program. They name the journey “Digital Maturity. In their approach, Digital Maturity is a way of applying digital technology – at first to promote efficiency and ultimately in creative ways to innovate new business models – an operation that continues to grow and evolve.

Over several years, the authors conducted surveys, interviews and analysis on how established companies respond to digital disruption. Two of the four authors – Gerald C. Kane, Professor of Information Systems at Boston College and Jonathan R. Copulsky, a retired Principal of Deloitte Consulting who teaches marketing, branding, and marketing technology at Northwestern University – were interviewed by David Rader, a long-time *Strategy & Leadership* contributing editor and veteran consultant.

**Strategy & Leadership:** What is the premise of *The Technology Fallacy*?

**Gerald Kane:** We concluded that just because digital technologies cause much of the business disruption that

#### Expect—and introduce—the unexpected

Anticipating an unpredictable future, 96 percent of Leaders say they’re very effective at responding to disruptive forces in their markets. One might expect that the most successful organizations in our study would be content to stick with what’s already working. Instead, they’re determined to introduce and undergo radical change.

organizations are experiencing doesn’t mean that implementing digital technologies is also the best solution. In fact, many of the cultural, organizational, strategic, leadership and talent responses are far more important and far more difficult than the technological ones. Cutting-edge technologies implemented in organizations with outmoded organizational practices are unlikely to get organizations to where they need to go.

**S&L:** The book introduces the concept of “Digital Maturity.” What does it mean and why does it matter?

**Kane:** We define “Digital Maturity” as aligning an organization’s people, culture, structure and tasks to compete effectively by taking advantage of opportunities enabled by technological infrastructure, both inside and outside the organization.

**S&L:** What are the most important factors companies must understand and address to drive an increase in Digital Maturity? How should they begin doing that?

**Jonathan Copulsky:** Digitally mature companies are more likely to be agile, experimental, risk tolerant, collaborative and learning organizations. We identify four areas that separate digitally mature companies from less advanced ones:

- The rate at which they identify and assimilate new digital technologies.
- Their skills at uncovering the value available through new digital technologies.
- Their ability to attract and retain the right digital talent.
- The cultivation of a “test fast, learn fast, scale fast” mindset.

**S&L:** What is the emerging role of “the organization” in the digital age?

**Kane:** The future of the organization is a key implication of our work. The

pace of change that accompanies digital business requires fundamental changes to the way organizations are run. Specifically, we find that digitally mature organizations tend to be organized into cross-functional teams that have greater autonomy into how to achieve their goals. We do think structured organizations will continue to exist, but they will be more loosely coupled internally and also work more closely with external partners.

### How Amazon practices the three laws of Agile management *Stephen Denning*

Many large organizations have spent decades unsuccessfully battling bureaucracy. More recently, some pioneering companies have made progress with an approach that has been called post-bureaucratic or Agile management. This approach is characterized by a mindset that is focused on continuous innovation. The Agile mindset has three notable common features or “laws.”

- **Customer-obsessed** – adding more value for customers.
- **Small is beautiful** – emphasize getting big things done in small units.
- **Networks** – Firms are run as networks or ecosystems.

While the common features of Agile management are important, it can be illuminating to consider what is distinctive in each firm’s Agile journey. The case of Amazon is particularly instructive.

#### Amazon’s Agile journey

In *Think Like Amazon: 50 1/2 Ideas to Become a Digital Leader*, John Rossman shows how Amazon exemplifies Agile management, Drawing on his experiences innovating for the company, Rossman’s 2019 book offers a clear and succinct account of the Amazon

approach and offers “50 ½ ideas” to enable others to learn how to think—and act—like Amazon.

#### A customer-obsessed mindset

Life at Amazon is characterized by a pervasive focus on value for customers. Everyone is expected to be engrossed with knowing about and enhancing the impact of what they do for the customer. Leadership Principle #1 is “Customer Obsession.”

#### Pervasive real-time customer metrics

Customer obsession at Amazon is enabled and driven by customer-driven metrics. In fact, Amazon doesn’t start an activity or develop a capability unless and until the team has figured out how it will measure the customers’ response in real time.

#### The planning process at Amazon

At Amazon, the external customer viewpoint is built into activities and capabilities from the outset. No significant new activity can be undertaken at Amazon unless and until there is an exhaustive management review of a six-page document explaining the activity as a narrative.

This narrative is supported by another document known as the PR/FAQ,

which contains an imagined future press release describing the benefits customers are getting.

### Leaders as owners

Leaders are owners; they think long term and don't sacrifice long-term value for short-term results. They act on behalf of the entire company, not just their own team.

### Two-Pizza Teams

Work is done to the extent possible in small autonomous multidisciplinary

teams, known at Amazon as "two-pizza teams," a group that could be fed with just two pizzas.

### Rossman's book's topic focus

The book is not a complete narrative about how Amazon operates. It focuses on those parts of Amazon that build capabilities, which Rossman estimates to be around 70,000 to 90,000 employees out of the total of some 650,000.

### The future of followership Barbara Kellerman

It might sound counterintuitive, but, followers do not always follow, any more than leaders always lead. Followers are subordinates. In contrast to their superiors, their leaders, followers have, or they ostensibly have, little or no power, authority or influence. That's changing.

Some forty or fifty years ago leadership became an "industry" – a burgeoning profit-making business for the benefit of countless institutions and individuals. Today "followership" remains still relatively an unfamiliar conception, but followership and followers have become to a modest degree, normalized. Though followers don't have authority, they can and increasingly they do have power and influence.

There are two main explanations for that new dynamic: first, changes in culture; second, advances in technology. Given that in liberal democracies leaders will continue to have less power and influence than they used to have, and followers more, here are five practical implications:

1. **Decline of authority.** Though the leadership industry continues widely and even blithely to ignore it, the evidence of a decline of authority is compelling.

2. **Rise of animosity.** Because people in positions of authority are relatively weaker than they were, everyone else, various stakeholders, are obviously, relatively stronger.
3. **Dominance of minority.** Weak leaders enable followers who are especially impassioned to hold great sway - even when their numbers are small.
4. **Leaders on a leash.** Given their now often embattled state, being a leader is less fun, and less secure, than it used to be.
5. **Contextual consciousness.** For some time now I have argued that leadership is a system, not a person.

Of course, leaders having less power and influence and followers having more has implications that not only are practical, but moral. What then are some of the moral implications of this change in the leader-follower dynamic?

- **The individual responsibility of followers.** Given that those who are not in positions of authority have more power and influence than ever, every single sentient individual is morally obligated to play a participatory role.
- **The collective accountability of leaders.** Followers – especially those who are younger – now

want, expect and increasingly demand some level of participation in most organizations.

- **The focus on followers.** Implicit in the growing if still modest interest in followers is the implication that the leadership industry is now obliged to pay them appropriate attention.
- **Rethinking assessing.** To the extent that leadership professionals assess at all, their

focus is on leaders, but it needs to also measure followership.

- **Reinventing learning.** To the degree that my fundamental claim – that followers are more important now than they ever were before – has merit, the leadership industry has an obligation to consider how it teaches and researches followership.

### Understanding paternalistic leadership: a guide for managers considering foreign assignments *Martin Sposato*

Many leadership theories currently competing for our attention – for example, authentic leadership, transformational leadership and servant leadership – are familiar models to anyone educated in a business institution that, broadly speaking, follows a Western curriculum. However, as managers who do business globally can attest, human interaction and relations, and especially leadership, are directly linked to culture and cultural expectations.

Paternalistic leadership, a father-like style with variations adapted to many different cultures, is performed and expected in many countries across the world.

It is not that paternalistic leadership is the same in all non-Western contexts, but rather, in those countries, leaders tend to have some common characteristics, though they are also deeply influenced by local cultural norms.

Because of the prevalence of this parental style of leadership in Asia, Africa, Middle East and South America, it is essential for people who plan to move abroad to work, or Western-trained managers and consultants establishing international joint ventures, to be familiar with it and be prepared to respond appropriately.

#### What are the norms of paternalistic leadership?

Paternalistic leaders traditionally tended to be – and were expected to

be – older and male. Today, the situation is changing in some countries, and a few women have become matriarchal leaders.

#### The characteristics of a paternalistic leader are:

- Father-like figure.
- Authoritarian style of leadership.
- The only real decision-maker.
- The power center of the organization.
- The nexus of the organization's information system.
- Demands loyalty above all else.
- Creates a family-like working environment.

Some paternalistic leaders foster a working culture that resembles a family. Other paternalistic leaders tend to be more obviously authoritarian. By the nature of the leadership style, when subordinates/followers are told what to do they are expected not to ask for explanations.

#### The centrality of loyalty

Loyalty is at the center of this style of leadership, and quite often, leaders tend to value this quality even above competence. Consequently, it is not uncommon for promotion to be based on an employee's loyalty or family ties to the leader rather than personal performance.

### How to work with a paternalistic leader

- An individual's loyalty is of the utmost importance.
- Never criticize the leader.
- Treat everyone with the utmost respect.
- Expect unexpected.

Western managers considering a foreign assignment should be aware

that paternalistic leadership in sub-Saharan Africa is not the same as that in China or South America, but this guide outlines some shared commonalities resulting from the central role of the leader and the way power is distributed in the organization.