

HELPING CEOs AND SENIOR EXECUTIVES BUILD STRATEGIC-THINKING CAPABILITY

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Strategy used to be about protecting existing competitive advantage. Today it is about finding the next advantage. In fact, strategy starts to decay the day it is created. My work with CEOs and top management teams in Fortune 200 corporations focuses on developing strategies that address *tomorrow's* business realities. Before describing how I go about this task, I'd like to explain how this work became so important to me.

Two experiences profoundly influenced my life and my work. Even though one of the experiences was rather negative, both shaped who I am as a person and how I practice my profession. Surprisingly, it is through the negative experience, which occurred in early adulthood, that I have been able to appreciate and learn from the positive one.

I was just twenty-two and fresh out of college when I was recruited by a leading corporation in India. I was one of twelve individuals invited to participate in a senior management training program that had received thousands of applications on a nationwide basis. My life was set. All I had to do was follow the track laid out before me.

For more than two years, I participated in a high-visibility rotation program, gaining experience in a variety of operations, from marketing to manufacturing to finance. Towards the end of my second year, I began to realize I hated what I was doing. The well-defined and structured box in which I had to operate tolerated little variation from the norm, and the lack of freedom and flexibility was suffocating me. When I first landed this position everyone—including me—believed I had struck gold. But the luster of organizational life faded rapidly.

It became very clear to me that although this company was considered one of the most progressive and well-managed firms in India, only the top few leaders had any influence within the organization. It exemplified a model in which the people at the top *think* and the people at the

middle and bottom *do*. There was no forum in which good ideas from the middle and bottom rungs could be heard or debated. The message clearly was, “You are not supposed to do a lot of thinking here.” I did not feel my intellect was valued.

Concurrently, I observed people not much older than I, with PhDs from American universities, visit the organization and get instant access to senior managers who were willing to listen to their ideas.

I saw the professional life that I wanted—one that mixed the intellectual challenge of exploring new ideas with the influence to make them a reality. I resigned my job, even though my friends and family thought I was crazy to do so, and soon left India to pursue a doctoral degree in the U.S.

The positive experience that influenced me spanned the majority of my childhood and early adult years. I grew up in the small town of Annamalainagar in southern India. My grandfather was a very religious man, but more importantly, he was an intellectual. Before he moved to Annamalainagar, he was an advisor for the Maharajah of Mysore.

Every weekend early in the morning, my grandfather would leave our home to share ideas with an informal and ever-changing group of children. There was but one common denominator among these children: they were extremely poor and underprivileged. Sitting under a banyan tree in the center of town, my grandfather would spend hours coaching them—helping with schoolwork, planting seeds of inspiration, encouraging higher goals, and wanting them to succeed. Even though we were Brahmins belonging to the upper caste, my grandfather did not see his activities as being unusual. He believed in the good in all people and had a genuine respect for the individual.

At the time, I too didn’t understand why he was giving so much of himself. As a child, I found his behavior an inconvenience because we couldn’t eat lunch until he returned home! I didn’t begin to appreciate the value of what he was doing until I was in my teens. Many of the children

he had inspired had grown to be successful in a variety of professions. They came home just to thank him.

As I grew older, my grandfather's work inspired me as well. Without his influence, I may not have had the courage and confidence I needed to leave the security and prestige of a top company to search for and fulfill my own ambitions.

My grandfather also shaped the way I work with corporations today. His mission in life was to make a positive difference in the lives of others. To ensure I have the greatest opportunity for positive impact, there are four questions I continually ask myself. First, am I passionate about what I am doing? I find that passion is contagious and is extremely powerful in influencing others. Second, am I learning— becoming different and growing intellectually? In retrospect, I know my grandfather learned as much from his young students as they learned from him, and that learning kept him motivated and fully engaged. Third, am I altering the aspirations of others, helping them to set their sights higher than they previously envisioned? I believe aspirations provide a guide-wire for our goals. The higher the goals, the higher are the subsequent accomplishments. And, finally, I ask, do I respect the corporations and executives I work with? Genuine respect is a crucial source of influence, a concept my grandfather understood. Fortunately, I have had the opportunity to work with an exceptional group of senior executives from world class companies. They are intelligent and capable people who know their industries, their companies, and their businesses better than I do. My role is to ask the right questions, to challenge and provoke their thinking.

Executives are stretched by overwhelming day-to-day demands, operating in highly complex and fast-changing environments. Sometimes as an outsider, removed from the rigors of short-term pressures, I am able to make sense of the complexity and to question the conventional wisdom and company orthodoxy that block creative thinking. As an outside expert, I come from the point of view that executives have much to contribute and, as a result, I probe deeper as I question and explore ideas with them. Through this approach, everybody learns and grows.

Once I am in a position where I am likely to have a positive impact, I operate with one simple rule and one overarching objective. The rule is that I must always remain humble. I cannot solve CEOs' problems. I don't know their businesses like they do. There's no way I can tell them what their strategies should be. I can inform them about the best thinking on strategy today and provide them with frameworks they can use to ask the right questions. I can facilitate an open and candid conversation. I can push and prod. I can help CEOs diagnose their own issues and discover their own solutions. In the end, my job is to provide them with strategic-thinking capability.

Humility is important because strategy issues are far too complex for any one person to solve. The intellect of the entire management team must be put to work. Unfortunately, it can be very difficult for the senior executive team to talk candidly without facilitation. When two people disagree, my role is to try to clarify differences and resolve tensions creatively.

Senior executive teams, in turn, need to engage the entire organization in the strategy making process. The role of senior executives is to recognize that every employee from top to bottom has strengths, capabilities, and ideas for growth, listen and interpret what each employee is saying, and pull the individual ideas together to create a coherent company strategy (break the "top thinks, middle and bottom does" paradigm).

While sticking to the rule of humility, I seek to achieve the following objective: to expand the strategic timeframe, with full recognition of the potential nonlinear changes that could destabilize an industry.

Strategy as Transformation

Senior executives need simple, but very powerful frameworks that help them to think strategically, and to align people in the organization through the use of a common strategic language. The three box thinking, I discuss below, is an example of a framework that I use to facilitate strategic thinking and alignment.

Actions companies take belong in one of three boxes: Box 1 -- manage the present; Box 2 -- selectively abandon the past; and Box 3 -- create the future. Box 1 is about improving current businesses. Box 2 and Box 3 are about breakout performance and growth (Exhibit 1).

Many organizations restrict their strategic thinking to Box 1. This tendency has been particularly acute in the past two to three years, as most leaders have emphasized reducing costs and improving margins in their current businesses.

But strategy cannot be just about what an organization needs to do to secure profits for the next year. Strategy must encompass Box 2 and Box 3. It must be about what a company needs to do to sustain leadership for the next *ten* years. In fact, the central task of an organization's leaders is to balance managing the present with creating the future. Examples of successful Box 2 and Box 3 initiatives include: Dell's direct model in the PC industry, Wal-Mart's transformation of the discount retailing industry, Apple's introduction of iPod, and Southwest Airlines' revolution in the airline industry.

Organizations that operate within a short timeframe base their actions on the assumption that their industry is stable and static. But it takes years for large organizations to change directions. If you take this into account, change is rapid and nonlinear. For instance, nanotechnology and genetic engineering are revolutionizing the pharmaceutical and semiconductor industries. Globalization is opening doors to emerging economies, such as India and China, and billions of customers with vast unmet needs. Once-distinct industries, such as mass-media entertainment, telephony, and computing, are converging. Rapidly escalating concerns about security and the environment are creating unforeseen markets. And other, more subtle changes are important as well, such as the trend toward more empowered customers, the aging population in the developed world, and the rising middle class in the developing world.

As a result of these forces, companies find their strategies need almost constant reinvention because the old assumptions are no longer valid, or the previous strategy has been imitated and commoditized by competitors, or changes in the industry environment offer unanticipated opportunities. The only way to stay ahead is to innovate.

Part of the job of executives is to make money with the current strategy. That is the challenge in Box 1. Part of their job is to make up for the decay and commoditization of strategy. That is the challenge in Box 2 and Box 3. Too many companies ignore these two boxes until it is too late.

An effective illustration of nonlinear change is the history of the high-jump event at the Olympics (Exhibit 2). There have been four distinct “business models” in the high jump. Each enabled athletes to achieve breakout performance.

Early on, the “scissors” style dominated; it was much like hurdling. As all high jumpers were using the scissors approach, the name of the game was being the best at scissors. The high jumpers were operating in Box 1. If they were businesspeople, they would have been competing on cost, market share, and margins.

One day, someone changed the rules of the game by inventing the “western roll.” (High jumpers launched and landed on the same foot and kept their backs to the bar.) The western roll was the style for twenty-five years until someone changed the rules again, introducing the “eastern roll,” a.k.a. the “straddle.” (Now high jumpers launched and landed on opposite feet and faced the bar.) Then, in the 1968 Olympics, former gymnast Dick Fosbury broke the Olympic record by three inches, creating a third discontinuous change. (The “Fosbury flop” involved a straight approach, jumping with both feet and twisting the body 180 degrees, like a gymnast, looking away from the bar.)

These nonlinear shifts exemplify Box 3 thinking. Each transformed the high-jump “industry.” In each case, the inventive high jumpers were not just managing the present, they were creating the future.

Because the future is uncertain, executives cannot predict it. They can only prepare to address its challenges and capture its opportunities. Some of the key questions executives need to address in this context are: How do we identify the non-linear shifts and market discontinuities (e.g., fundamental shifts in technology, customers, competitors, lifestyle/demographics, globalization,

regulations, etc.) that could transform our industry? How do we analyze the opportunities and risks, as a result of our understanding of market discontinuities? How can we create new growth platforms with a view to exploit the market discontinuities? What are our core competencies and how can we leverage them in the growth platforms? What new competencies do we need? How do we build or acquire them? How do we allocate resources to support growth? What kind of organizational DNA must we have in order to anticipate and respond to changes on a continual basis?

My fervent hope is to help companies transform their industries and reinvent their strategies, just as my grandfather transformed the lives of the children with whom he loved to work.

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Exhibit 1
Strategic Balance

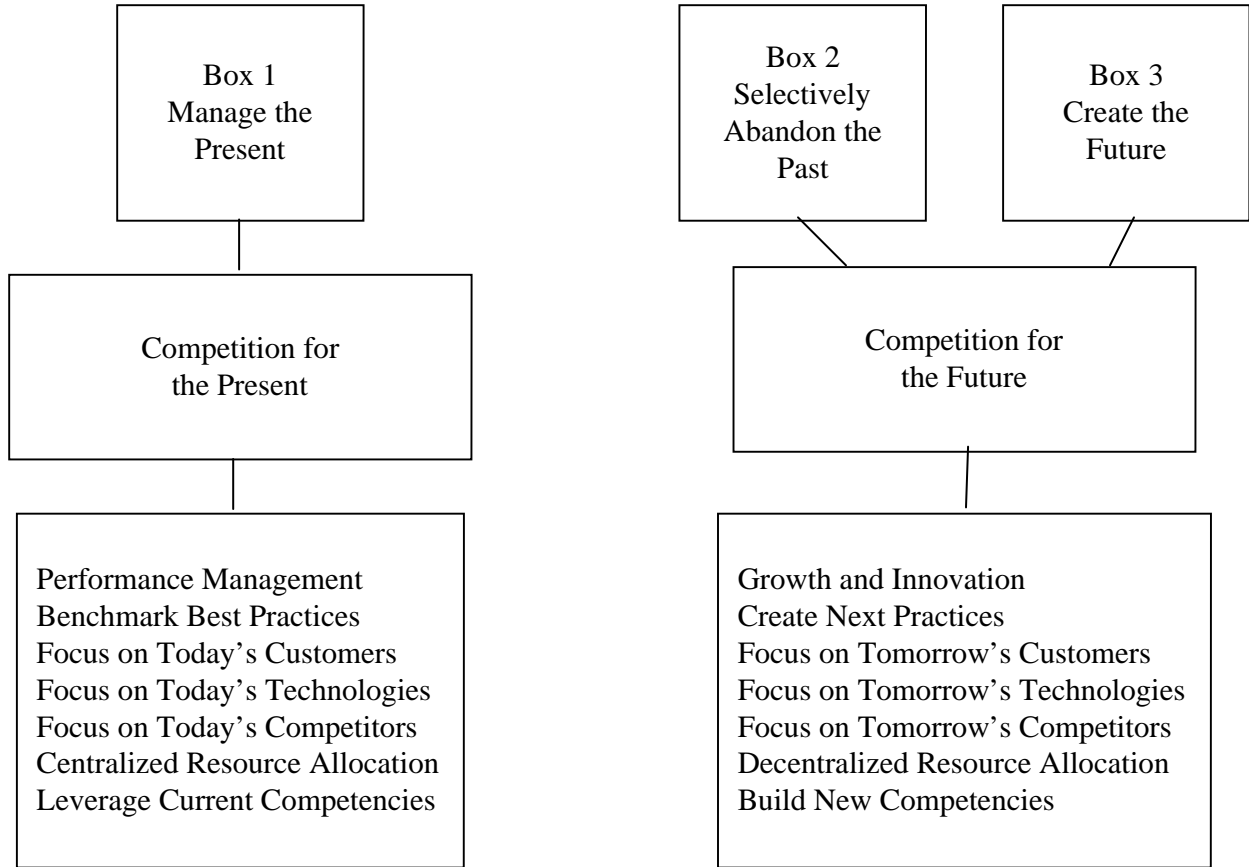


Exhibit 2
Olympic Gold Medals in High Jump

